

EXHIBIT C-2

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COMMONWEALTH OF MASSACHUSETTS
OFFICE OF THE SECRETARY OF THE COMMONWEALTH
SECURITIES DIVISION
ONE ASHBURTON PLACE - 17TH FLOOR
BOSTON, MASSACHUSETTS 02108

IN THE MATTER OF:

TELEXFREE INC.

Docket No. 2014-0004

ON-THE-RECORD INTERVIEW OF **CARLOS WANZELER**, a
witness called by and on behalf of The Office of the
Secretary of State, Securities Division, One
Ashburton Place, Boston, Massachusetts, before Dianne
E. Brown, a Court Reporter and Notary Public in and
for the Commonwealth of Massachusetts, commencing on
Wednesday, March 26, 2014, at 10:14 a.m.

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P R O C E E D I N G S

Wednesday, March 26, 2014

10:14 a.m.

MR. LEONE: Good morning, we are on the record. Today is March 26, 2014 and the time is 10:15. Mr. Wanzeler, we anticipate that this interview today will be conducted in English, however we do have an English to Portuguese and vice versa interpreter here in the event that you do not understand a question in English or the Division does not understand a response in English. Ms. Interpreter, could you please state your name for the record?

THE INTERPRETER: Maria Pinheiro.

MR. LEONE: Could you spell it?

THE INTERPRETER: Spell it P, as in Peter, I-N-H-E-I-R-O; first name Maria.

MR. LEONE: And could you please swear in the interpreter?

MARIA PINHEIRO, was sworn as the Portuguese Interpreter.

1 MR. LEONE: This on the record
2 investigative testimony is taken pursuant to
3 the authority conferred on the Office of the
4 Secretary of the Commonwealth by
5 Massachusetts General Laws, Chapter 11A,
6 Section 407B. My name is Anthony Leone, I am
7 an attorney with the Massachusetts Securities
8 Division; with me today at the far end of the
9 table is Patrick Ahearn, Chief of
10 Enforcement, Timothy O'Hara and William
11 Neelon, also attorneys with the Division.

12 A few ground rules, today the Division
13 controls the record. We will only go on and
14 off the record at the direction of one of the
15 Division staff members. If you need to take
16 a break at any time please let me know and we
17 will do so and go off the record; however, if
18 a question is pending, I would ask that you
19 answer the question first before we take a
20 break. Please answer all questions verbally
21 as nonverbal actions are not reflected on the
22 record.

23 THE WITNESS: Okay.

24 MR. LEONE: Do not begin providing an

1 answer to a question until the Division staff
2 member completes it. If you do not
3 understand a question, indicate so and we
4 will try to rephrase it; however, any answer
5 you provide today to a question will indicate
6 that you have understood the question.
7 Please provide all of your answers on an if-
8 you-know basis. Unless the question
9 specifically requests, you should not guess
10 or speculate when providing an answer. When
11 using the proper name of an individual or
12 entity for the first time please spell it
13 out. Advise the court reporter if we are
14 talking too fast, and if anyone has a cell
15 phone today, if you could turn it off.

16 THE WITNESS: Already did mine.

17 MR. LEONE: Okay. Mr. Wanzeler, do you
18 understand that your testimony today is
19 pursuant to a subpoena?

20 THE WITNESS: I understand.

21 MR. LEONE: Do you consent to being
22 placed under oath?

23 THE WITNESS: Sure.

24 MR. LEONE: Would you please place the

1 witness under oath?

2 **CARLOS WANZELER**, having been
3 *satisfactorily identified by the production*
4 *of his Massachusetts driver's license and*
5 *duly sworn by the Court Reporter, was*
6 *examined and testified as follows:*

7
8 (BY MR. LEONE)

9 Q. Mr. Wanzeler, could you please state and
10 spell your full and complete name?

11 A. Carlos, C-A-R-L-O-S, middle name Nataniel,
12 N-A-T-A-N-I-E-L, last name Wanzeler,
13 W-A-N-Z-E-L-E-R.

14 Q. Thank you. Mr. Wanzeler, your testimony has
15 been requested by the Division as part of an
16 inquiry as to whether there have been
17 violations of the Massachusetts Uniform
18 Securities Act; however, the facts developed
19 in this investigation might constitute
20 violations of other state or federal criminal
21 or civil laws. Mr. Wanzeler, do you
22 understand that you may assert your rights
23 under the Fifth Amendment of the United
24 States Constitution and Article 12 of the

1 Massachusetts Declaration of Rights and as
2 such refuse to answer any question which may
3 tend to incriminate you?

4 A. I understand.

5 Q. Mr. Wanzeler, are you being represented by
6 counsel today?

7 A. Yes, represented by counsel.

8 MR. BERTHIAUME: As I mentioned at
9 yesterday's on-the-record interview, Mark
10 Berthiaume, Greenberg Traurig; with me is
11 Erin Hayes, also Greenberg Traurig, and
12 Jeffrey Babener. The three of us represent
13 the company but are also representing Mr.
14 Wanzeler for purposes of today's interview.

15 MR. LEONE: And, Counsel, do you also
16 represent anyone else in this matter?

17 MR. BERTHIAUME: Well, we represent Mr.
18 Merrill who testified yesterday.

19 MR. LEONE: Anyone else?

20 MR. BERTHIAUME: No.

21 (BY MR. LEONE)

22 Q. Mr. Wanzeler, do you understand that you have
23 a right to an attorney who represents your
24 interests in your personal capacity and only

1 your interests?

2 A. I do.

3 Q. Mr. Wanzeler, do you understand that giving
4 testimony under oath as you are today
5 subjects you to the pains and penalties of
6 perjury?

7 A. I do.

8 Q. Even though we have subpoenaed your testimony
9 today, you should understand that in addition
10 to questions from the Division this is your
11 opportunity to provide any exculpatory
12 information that you may have. With those
13 understandings are you prepared to proceed?

14 A. Okay.

15 Q. Is there anything that could affect your
16 ability to testify truthfully and competently
17 today?

18 A. No. I'm here to tell the truth, whatever you
19 guys need.

20 Q. I'm going to ask you a few questions about
21 conversations or activity that may have
22 occurred between the time that you received
23 the subpoena to provide testimony and your
24 arrival here today. I want to make it clear,

1 however, that I do not want to know about
2 conversations you may have had with counsel
3 or if counsel presented you with any
4 documents I don't want to hear about that
5 either.

6 A. Mm-hm.

7 Q. Prior to coming here today, other than the
8 counsel that is present here, who else is
9 aware that you're providing testimony to the
10 Division?

11 A. Nobody.

12 Q. Prior to coming here today what if any
13 documents, other than those presented by
14 counsel, did you review?

15 A. Just the document you guys sent to me.

16 Q. The subpoena document?

17 A. The subpoena document.

18 Q. No others?

19 A. No others.

20 Q. Mr. Wanzeler, what is your date of birth?

21 A. 1968; I got a little older.

22 Q. Have you ever gone by any other name or
23 names?

24 A. Nope.

1 Q. Do you have any nicknames?

2 A. Nope.

3 Q. Where do you currently live?

4 A. I live at 373 Howard Street, Northborough
5 01532.

6 Q. How long have you lived at Howard Street?

7 A. About a year and a half, I think.

8 Q. Is that a single-family residence?

9 A. Yes, single-family.

10 Q. Do you live with anyone else?

11 A. My wife and my kids.

12 Q. And what is your wife's name?

13 A. Katia Barbosa Wanzeler.

14 Q. And if you could just spell that?

15 A. W-A-N-Z-E-L-E-R; I know it's a hard name.

16 Q. And you also live with your kids, how many
17 kids?

18 A. I have one kid 16 years old, last
19 name

20 Q. Do you own the Howard Street property?

21 A. Yes, I do.

22 Q. Do you have a mortgage on that property?

23 A. No.

24 Q. Do you have any home equity line on that

1 property?

2 A. Nope.

3 Q. Prior to the Howard Street address where did
4 you live?

5 A. 41A Mount Avenue.

6 Q. Where is that located?

7 A. Worcester, Mass 01606. I live there for 11
8 years.

9 Q. Did you live with anybody at the Worcester
10 address?

11 A. Just my wife.

12 Q. Excuse me, the Mount Ave. address?

13 A. The Mount Avenue?

14 Q. Yes.

15 A. Yeah, it's my wife live with me and my kid,
16 too.

17 Q. Have you lived in United States for your
18 entire life?

19 A. Twenty-six years; since 1988.

20 Q. And where else have you lived besides the
21 United States?

22 A. No, just Brazil; before the U.S. it was
23 Brazil.

24 Q. Anywhere in particular in Brazil?

1 A. Vitoria Espirito Santo.

2 Q. Do you own any other real property in the
3 United States?

4 A. Yes, I own two properties for about 10 or 11
5 years now; one in Florida, Boca Raton, and
6 the 41A Mount Avenue, that's my other
7 property.

8 Q. What is the address of the Boca Raton
9 property?

10 A. Oh, Jesus, it's -- that's a vacation home,
11 2740 -- I'm not sure of the whole address.

12 Q. If you don't know, don't guess.

13 A. Yeah, okay.

14 Q. How long have you owned the Boca Raton
15 property?

16 A. About 11 years.

17 Q. And how long have you owned the 41 Mount
18 Avenue property?

19 A. About 15.

20 Q. Any other real property in the United States?

21 A. No.

22 Q. Do you any real property outside the United
23 States?

24 A. In Brazil.

1 Q. Can you describe that property?

2 A. Yeah, I own a property in Praiacanto.

3 Q. Can you spell that for the record?

4 A. P-R-A-I-A-C-A-N-T-O; I own that property for
5 about 10 years. I have another home
6 Bairrode, B-A-I-R-R-O-D-E, separate now,
7 Fatima, F-A-T-I-M-A; that house I own about
8 12 or 13 years; and I have another one in the
9 same Bairrode Fatima about -- it's two house
10 in Bairrode Fatima, again over 10 years.

11 Q. Out of the property that you've mentioned do
12 you have a primary residence?

13 A. Primary residence, that's the 373 Howard
14 Street.

15 Q. And these other properties, do you rent them
16 when you're not there?

17 A. I rent; always I work in like real estate for
18 many years.

19 Q. Do you own any other property that we haven't
20 discussed so far?

21 A. Not in my name, no.

22 Q. Do you own property with your wife?

23 A. No.

24 Q. Does your wife own other properties?

1 A. No.

2 Q. Do you speak any other languages?

3 A. I speak Portuguese.

4 Q. Any other?

5 A. A little Spanish, por ultimo, that's what
6 they call about.

7 Q. Can you describe your formal education?

8 A. Yep, I done my high school in Brazil and then
9 I decide come to U.S. in 1988; just work and
10 try, you know, I have a good story but if we
11 have time I can tell you guys.

12 Q. So in 1988 you moved to the U.S.?

13 A. I move to U.S., worked two jobs, a dishwash,
14 I start work 9 a.m. to 5 p.m., 6 p.m. to
15 about midnight. The reas I work so hard at
16 that time 'cuz I lost my father and I need
17 take care of my mum and my four brother and
18 sister.

19 Q. When you first moved to the United States
20 where did you live?

21 A. 621 Lakewood Street, and then I live there,
22 then I move to my own house; actually, I rent
23 the house 41A Mount Ave., then I bought it
24 back 10 years/11 years ago.

1 Q. The Lakewood Street, is that Massachusetts?

2 A. In Worcester, Mass.

3 Q. I believe you stated that you worked two
4 jobs, one as a dishwasher, what was the other
5 job?

6 A. Both was two restaurant; I just do one
7 restaurant call City Time that time in 1988.
8 I work like nine to five and then I go to
9 Crickets restaurant and after, start six
10 o'clock to midnight, and I worked there for
11 about two years and I got girlfriend that
12 time that work in UMass Massachusetts in the
13 hospital and I got job there and I work 11
14 years there, UMass Hospital, I work for
15 janitor. Then I quit from my job at
16 nighttime from the restaurant, then I work in
17 the UMass 10:30 at night to seven in morning
18 and I keep work in the restaurant seven in
19 the morning to five o'clock.

20 At that time in 1993 I met -- I bring
21 all my family to U.S., my mom and brother and
22 sister and no one have a job, only me, and
23 then I start get the Yellow Page, start call
24 out there cleaning company try to get job for

1 my family; that's the time I met Jim Merrill
2 and he's pick up the phone, I said to him,
3 "Hey, I need job for my family," and I went
4 to his office and right there with my mom and
5 my sister and brothers and then he say,
6 "Okay, I only give a job for you if you work
7 for me." That time I remember very well I
8 quit from the restaurant. I work daytime and
9 I started work part time with Jim from five
10 to 10. And the same time I supervise my
11 family, that's the employees he's have at
12 that time and I remember he's paid me \$1 for
13 every hour my family work and I make about \$6
14 an hour; that's what I say, it's a good story
15 I like to bring to you guys. Then I work
16 with him for about into 2001, then he say,
17 "Carlos, we bring that company with you help
18 for about over a million dollars, now I want
19 you be my partner," and I be a partner for
20 him from there on the cleaning company.

21 In 1997, we back a little bit, my wife
22 call his poor mum, you know, ever day, spend
23 a lot of money with prepaid cards and Jim
24 always look for some different business, you

1 know, and he's come to me and he said to me,
2 "Carlos, I found a company, you know, and
3 very good rates and you can make extra
4 money"; that was World Exchange Communication
5 California. And I say, "Okay, but I pay
6 about 80 cents a minutes, you know, that's
7 what my wife spend money," 80 cents a minute
8 at that time and he say, "Okay, I will try
9 for one month; if that work well, you know,
10 then we can bring -- I think I can -- we can
11 make some money." And 1997 I started try
12 that service and I love the service. I bring
13 the cost for 80 cents to 32 cents a minute
14 and, actually, I don't know, my bill probably
15 went up because my wife speak more and more
16 because the rate was better. But a month
17 after they went 32 cents a minute to call
18 Brazil to 26 a minute, I say wow, that's
19 great, then I start make my business card and
20 I will call my friends in Brazilian community
21 and I give the card, "Hey, try this." I
22 remember very well because that time I said
23 to my friends, you know, "You know what, try;
24 if the bill come more, then I pay you bill."

1 They try, they like. Then I work for that
2 company to 2002; 2002 that company was sold
3 for another company called Access
4 Communication and that company decide not
5 work with MLM anymore. And me and Jim make a
6 decision to build our own company because we
7 believe in the voice over IP, you know,
8 because that time that company only work with
9 the landline; that's a landline company, like
10 a Verizon, I don't know if you guys...

11 Then we start a company we call today
12 Diskavontade, you know, in 2002. The
13 company's name Brazilian Help Inc. This
14 company still exist. We have a couple
15 thousand customer up there, but on that
16 company, you know, since 2002 to today we
17 have a customer use our product for about
18 over 10 years; they're still our customer
19 and -- but we spend a lot of money on the TV
20 advertisement, radio, you know, newspaper to
21 start maintain our customer because some
22 customer quit, you know, some. We need to
23 maintain a customer so we keep receive the
24 money because the only good news -- the only

1 advertise we can do very well was the TV
2 Globe International, that's locate in Miami.
3 We spend about six or seven thousand dollars
4 a month, you know. In 2012 a guys I know for
5 a long time, Carlos Costa, come to me and
6 say, "Carlos, I have way we can build your
7 business, build your customer online over the
8 Internet"; that's how TelexFREE come aboard.
9 And we build a customer base and bring more
10 customer to, you know, grow our company more
11 and more and that we done very well. Just
12 try bring you guys little better what happen,
13 why TelexFREE exist.

14 Q. Okay, we're going to back up and go
15 through --

16 A. Yeah, good.

17 Q. -- all that stuff, okay?

18 A. All right.

19 Q. In 1993 your mother and your brother and your
20 sister moved to the United States, right?

21 A. Yeah, 1993, yes, correct; that was the war
22 Gulf, you know, the...

23 MR. BERTHIAUME: Gulf War.

24 A. Gulf War, that was very hard time because no

1 job; nobody can find job. I have very hard
2 time, too. I'm the only person working in my
3 house that time.

4 (BY MR. LEONE)

5 Q. After they moved to the United States what
6 was the first job that they did?

7 A. Work with Jim Merrill.

8 Q. And was that in 2001?

9 A. 2003, I think; that's the -- whatever the
10 war, the Gulf, Gulf War was they --

11 MR. BERTHIAUME: 1993.

12 A. 1993, that's the time they start work to Jim
13 Merrill.

14 (BY MR. LEONE)

15 Q. Okay, so they started to work for Jim in
16 1993?

17 A. Yeah, 'cuz I remember that very well because
18 that was war, you know, and I remember that
19 was a difficult time for me to get job for my
20 family.

21 Q. And how did you meet Jim Merrill?

22 A. By a phone book, like I get a Yellow Page, I
23 call him to try get a job for my family. You
24 know, I call a lot of cleaning company at

1 that time and he's pick it up the phone, you
2 know, and he's the only one at that time give
3 me the opportunity to hey, come over to my
4 office, you know, and then we come up friend
5 to today; he's a great guy.

6 Q. And so Mr. Merrill hired you in 1993?

7 A. 1993, around there, yeah.

8 Q. And what did you do for Mr. Merrill back
9 in -- around 1993?

10 A. Just cleaning, like I was office cleaning,
11 just cleaning, like my mom, everybody else.

12 Q. Then I believe while you were cleaning for
13 Mr. Merrill in 1997 there was an opportunity
14 that both you and Mr. Merrill came into,
15 correct?

16 A. Yeah, that's because we already there talking
17 and he's bring the World Exchange
18 Communication, that's what happen.

19 Q. Okay, could you describe some of those
20 initial conversations? What led you to join
21 World Exchange?

22 A. Because Jim Merrill come to me and he's know
23 my wife is spend lot of money call to Brazil
24 and he's just want bring World Exchange to me

1 because I can make extra money; he's can make
2 extra money in MLM market, but that was the
3 reason because we spend lot of money. In
4 Brazil community spend lot of money with call
5 to Brazil.

6 Q. And how did Mr. Merrill find out about World
7 Exchange?

8 A. I think he's looking over the Internet that
9 time. Actually, he's have a friend, like
10 Steve Labriola, he's still our friend today,
11 who work for ACN that time, that was another
12 communication, but he's don't like much with
13 ACN the product and he start look for another
14 company and he's found World Exchange in
15 California.

16 Q. And does ACN stand for anything?

17 A. We never done ACN, but that was our
18 competition that time.

19 Q. So ACN was in competition with World
20 Exchange?

21 A. World Exchange.

22 Q. So they had similar businesses?

23 A. Similar business; actually, they still exist.

24 Q. And what did you do for World Exchange?

1 A. Agent; I start be a customer. I test them
2 for one month like I told you and I like the
3 service and I see I can offer that service
4 for friends and family outside and that's why
5 I join World Exchange; extra money, too, I
6 love what they done.

7 Q. Besides using the service did you do anything
8 else for World Exchange?

9 A. Nope, just the agent program; I was like
10 agent.

11 Q. All right, so could you describe the agent
12 program for me?

13 A. Agent like it's MLM, okay, I bring the -- I
14 can bring the lot of retail customer and the
15 same time I help others to bring the retail
16 customer and I get paid for.

17 Q. So is it fair to say that you get paid for
18 bringing other people into World Exchange?

19 A. Not other people, bring more customer to
20 World Exchange because the business like if I
21 can get a customer, that's what I done that
22 time, I help another agent to bring the
23 customer to World Exchange, that's all about,
24 you know, in the same time I help those agent

1 bring the new customer, then I make money.

2 Q. So but you'd bring the agent on first, right?

3 A. No, actually, I bring them a customer first
4 because they try the service first, they come
5 up agent after.

6 Q. So they --

7 A. That's what I did; at that time I make my --
8 a business card and what I did, I bring to
9 business card to everyone, try the service,
10 that's the way I use, okay, I bring the
11 customer because they usually like have a
12 dial-around. I don't know you guys heard
13 about 10-10-220, 10-15; our dial-around was
14 10-15-335.

15 MR. BERTHIAUME: Dial-around?

16 A. Dial-around, yeah, exactly. If anyone have
17 Verize or ATT that time, when they use the
18 dial-around, okay, the 10-15-335, they use
19 our company, World Exchange. The first step
20 I take to get those guys like a agent, I'd
21 say the same thing happen with me, I done it
22 with them, okay, go ahead and try the
23 service, let me know what you like. And
24 they'd say, "Okay, I try for 30 days; if

1 higher bill you pay, okay, Carlos?" And I
2 say, "Okay, I will pay."

3 MR. BERTHIAUME: Just slow down a little
4 bit for her benefit, all right?

5 THE WITNESS: Okay.

6 (BY MR. LEONE)

7 Q. And so they tried as a --

8 A. A customer first.

9 Q. And then they'd become an agent?

10 A. Become agent because they see I make money.

11 Q. But when they became an agent did they
12 already have customers?

13 A. No, because they cannot have a customer if
14 he's not agent.

15 Q. Okay.

16 (BY MR. AHEARN)

17 Q. So once they try the service if they like it
18 they became agents?

19 A. That's how I train my people in that time. I
20 ask them to try the service first and if they
21 like, be a agent, very succeed. I build
22 organization that time or hundred thousand
23 people all over U.S. like Orlando, Florida.
24 I have over hundred thousand people in my

1 they'd say okay, you have to sell, you have
2 to do that, you know, and nobody do nothing,
3 okay. In our company make a strategy, they
4 think about they don't sell, but they're
5 selling because they have to do the ads.
6 What we done, we put one hour free, okay, and
7 we said to our promoter, "Okay, for you make
8 money in our company, a couple of ways you
9 can make money, you can sell retail direct to
10 the customer for friends, family, you know,
11 brother, sister, whatever, okay; another way,
12 if you go there and you do what we ask you to
13 do, put ad, you know, and go to your back
14 office and put ad seven days a week, 365
15 days, I know you will get a customer because
16 I know when you put in one free hour there to
17 somebody try our service, I know you'll get a
18 customer," okay, and then that's why we
19 succeed, you know, everybody have to go there
20 and put the ads every day and they get a
21 customer and we pay them for.

22 Q. Is there any other way for people to make
23 money?

24 A. It's many ways; if they can put ads or they

1 can go to family or friends, hey, I have a
2 great service here. How you call to Brazil?
3 How you call to you country, okay and they
4 ask those guys okay, how much you spend now
5 to call Brazil, you know, and right there,
6 you know, they give -- okay, can you try one
7 hour free and see if you like. When they try
8 one hour free, you know, the people sign up,
9 the customers sign up and they make money
10 very month, you know, commission, residual
11 income.

12 Q. And is there also a networking component of
13 TelexFREE?

14 A. It is.

15 Q. And could you describe that networking
16 component?

17 A. Today we do a couple ways they can make money
18 in our company.

19 Q. And you're talking about currently?

20 A. Current.

21 Q. Currently?

22 A. The current one now, okay. It's \$149 for
23 somebody be a promoter or association,
24 actually they come association for us. The

1 \$149 we give them Web site, back office,
2 okay, train, okay, we have a conference with
3 the train for them how they can get customer,
4 and right there they make a 10 percent
5 commission with the direct sell and they make
6 1, 2, 3 percent up to the seven levels, okay.
7 Then if they sell 10 customer, when they
8 bring 10 customer to the company, okay, they
9 be able come promoter. When they come a
10 promoter then we say to them, "Okay, now I
11 give you, too, you can go over the Internet,
12 you can place you ads, okay, if you maintain
13 five customer every month, okay, you make \$50
14 a week if you place the ads seven days a
15 week"; that's what we do today. But before
16 they do that they have to show to us they can
17 bring 10 customer, you know, on board and
18 they have to show to us -- to we pay them \$50
19 a week they have to show us they keep at
20 least five customers use our service month
21 after month, that's what today. If they help
22 two person do the same he's do, bring in 10
23 customer and the same time help those two
24 people maintain five customer a month, okay,

1 then he start make a hundred dollars a week.
2 But he needs to help those two people he's
3 bring by bringing the customer to our
4 company. Nobody make money if they don't
5 bring the customer. That's the point in our
6 company today.

7 Q. Okay, let's start with the 10 customers that
8 someone needs to bring on to become a
9 promoter; is that right?

10 A. Yep.

11 Q. Does TelexFREE review those customers?

12 A. TelexFREE -- what do you mean review?

13 Q. Okay, how does TelexFREE know that a promoter
14 has brought on 10 customers?

15 A. Well, because somebody have to go on their
16 Web site and purch 49.90 the product.

17 MR. BERTHIAUME: Purchase?

18 (BY MR. LEONE)

19 Q. Purchase?

20 A. Yeah, from their Web site, because they have
21 a replicate Web site. We give replicate Web
22 site.

23 MR. BERTHIAUME: Replicated?

24 THE WITNESS: Yeah.

1 organization. It was 2006, 2005/2006.

2 Q. Now, you didn't recruit a hundred thousand
3 people?

4 A. No, no.

5 Q. The people you recruited and the people they
6 recruited filtered up to a hundred thousand?

7 A. They repeat what I done.

8 Q. Okay.

9 A. Very succeed; it's the best company.

10 (BY MR. LEONE)

11 Q. And then sometime in 2002 there's an entity
12 Brazilian Help that gets formed, right?

13 A. Yes.

14 Q. And who formed that?

15 A. I did.

16 Q. And where did you form it?

17 A. In Massachusetts; actually, still exist with
18 thousands of customers, that was our product.

19 Q. And Brazilian Help is --

20 A. Brazilian Help is a Diskavontade, the same,
21 okay. I just try to clarify.

22 Q. Okay, and what is Diskavontade?

23 A. Diskavontade is a Brazilian Help, but that's
24 a -- Diskavontade, that mean call much you

1 want.

2 Q. So it's another phone service?

3 A. It's the same company, but it's like Web
4 site, you understand, you have a -- Brazilian
5 Help is the name but you have like nice name
6 and people, I want Diskavontade, like call
7 much you want, something like that. For the
8 Brazilian community that's a nice name.

9 Q. Okay. And did you have a position with
10 Diskavontade?

11 A. I'm the president; I still.

12 Q. Do you have an ownership interest in
13 Diskavontade?

14 A. I'm the owner.

15 Q. Are you the only owner?

16 A. I'm the only one.

17 MR. BERTHIAUME: And just to be clear, I
18 think that what he was saying, Diskavontade
19 is a name, a DBA for Brazilian Help.

20 THE WITNESS: Brazilian Help, yes.

21 (BY MR. LEONE)

22 Q. And so are you also the -- or are you the
23 only owner of Brazilian Help?

24 A. Yes; actually, supposed to be Jim, too, but

1 always he trust me when I build that company
2 but he's have some percentage of that, too;
3 always he's got paid a percentage.

4 Q. So that's an informal type of arrangement?

5 A. Informal, but he's on there, too.

6 Q. And did Diskavontade also have an MLM
7 component to it?

8 A. We try on the five levels, like pay 10
9 percent for direct customer and 2 percent for
10 the indirect customer, but that time when we
11 try the Internet was not very good in the
12 U.S. or Brazil, you know, and people -- we
13 have a ATA people plug in at home to use the
14 service. We don't have the dial-around or
15 anything.

16 Q. What's an ATA?

17 A. ATA is like a phone adapter, like a Vonage;
18 you guys heard about Vonage?

19 Q. Okay.

20 A. You sign up for the product, they send like a
21 phone adapter you can plug over the Internet
22 and make a phone call. That time, you know,
23 our quality was not that great because the
24 quality of the Internet was not great, but

1 today is a different story; probably if we
2 done this in the past with the agents
3 probably we done very well, but because the
4 qual, we not was very good succeed and then
5 we just keep retail customer to sell direct
6 to the customer.

7 Q. So if the quality wasn't very good why would
8 people keep it for 10 years?

9 A. Because it was cheaper, you know. It's
10 still -- it's not that bad, okay, some people
11 have a bad Internet. I don't talk about --
12 see, we talk about 2003/2004 and every month
13 it got better and better. You know, it's not
14 that people cannot make a phone call, but
15 they can make a phone call and some people
16 keep forever because they save a lot of
17 money. But today is a different story.
18 Today the qual of the Internet, it's great
19 everywhere what I see.

20 Q. Okay. Starting in 2002 did Diskavontade have
21 any employees?

22 A. Yes, we have about four employees.

23 Q. And this is 2002, right?

24 A. 2002, because always we work with the direct

1 customer, you know, and when we put our ads
2 on the TV Global we need somebody answer the
3 call when somebody call the I 800 number.

4 Q. Okay, who were those employees?

5 A. Actually, that time I have employee in Brazil
6 because it was cheaper for us and we have --
7 I have a small office in my house in Brazil
8 and we hire four people up there to answer
9 the call.

10 Q. Do you remember any of their names?

11 A. Yes, I do.

12 Q. Okay, what --

13 A. Was Sanaza.

14 Q. And if you could spell these names for the
15 record?

16 A. S-A-N-A-Z-A. And I have another one,
17 actually, I have one in U.S., too, they done
18 for me, Elaina, E-L-A-I-N-A. I have -- jeez,
19 there's so many, it was long time when I put
20 out there.

21 Q. If you don't remember just say that you don't
22 remember, okay?

23 A. I don't remember, sorry; all the name I don't
24 remember.

1 Q. And in 2002 the program that Diskavontade
2 had, where did you get that from?

3 A. We start from the scratch. We build our own
4 server, like we found a company called
5 Logitel, that's our first switch we bought.

6 Q. Could you spell that, please?

7 A. Logitel, A-O-G-I-T-E-L. And we bought our
8 first switch around 2002, I don't remember
9 the exactly year, okay, it was between 2000
10 and 2002 and we start and we hire someone
11 from Logitel and teach us how we build VoIP
12 product, serve, all right, and from that it's
13 a lot of learn; for 15 years or 14, 12 years
14 it was lot of learn till we get what we are
15 today with the big infrastructure. We have a
16 big infrastructure today.

17 Q. Okay. And how about the MLM component of
18 Diskavontade, did you take that from
19 anywhere?

20 A. Like I said, was -- we can do very well,
21 always we do very well, but is not went very
22 well because that time the Internet was not
23 that good.

24 Q. No, no, no, but what I'm asking you is the

1 program itself, the way it was structured,
2 was that based upon any other program or did
3 you create that from scratch?

4 A. I done by World Exchange. I follow up what
5 they done. They have a 10 percent direct
6 commission and 2 percent indirect commission
7 up to the seven levels.

8 Q. And so did you model it off of World Exchange
9 or did you use the exact --

10 A. I model exact what they done, know why,
11 because was so succeed up there.

12 MR. BERTHIAUME: So what?

13 A. Succeed, they have succeeded.

14 MR. BERTHIAUME: Succeed?

15 A. Succeed, yeah, and I say why change something
16 was great, you know, and they don't want do
17 MLM anymore and they finish the MLM part, you
18 know, then I say I just want to continue with
19 the VoIP, VoIP over IP.

20 (BY MR. LEONE)

21 Q. Did you have to pay World Exchange to use
22 that program?

23 A. No, because they finish. They not do that --
24 they don't do MLM anymore.

1 Q. Why did they stop doing MLM?

2 A. Because the company got sold.

3 Q. And who did it get sold to?

4 A. Access Communication.

5 Q. And who owns Access Communication, do you
6 know?

7 A. I not -- I don't know, but they decide don't
8 do MLM anymore. They just do direct
9 customer. Actually, when they got sold we
10 still continue making money. We the only
11 agent they continue on board, you know, and
12 pay us for one or two years more after they
13 finish because we have a lot of customer, you
14 know, we bring a lot of customer to the
15 company.

16 Q. How many customers did you bring to the
17 company?

18 A. Oh, jeez, it was thousands 'cuz we make -- we
19 usually make about \$30,000 a month just for
20 that platform; and that was the prob, I think
21 that time if they kill us, you know, they
22 will have a prob because we make a lot of
23 money, we bring a lot of customer on board
24 and they decide keep us for two or three

1 years more.

2 Q. And when they decided to keep you, did they
3 keep you under the MLM program?

4 A. No, because they finish -- just 'cuz we --
5 always we done two ways, we done the MLM, but
6 we done direct retail customer, too, you
7 know.

8 Q. But when you said you were making 30K a
9 month --

10 A. Just retail customer.

11 Q. And how would you be paid for a retail
12 customer sale?

13 A. Because I done TV advertisement, I spend -- I
14 make good money with them what I done. I
15 done my own business, you know, I start up
16 with a TV advertisement that time, you know,
17 I bring a lot of customer to use.

18 Q. But how would you get paid from the sale of
19 the retail product?

20 A. Because they only pay 10 percent direct
21 commission.

22 Q. So it was a commission?

23 A. Exactly.

24 Q. In 2002 Brazilian Help and Diskavontade had

1 approximately four employees, but what were
2 the most amount of employees you've had under
3 Diskavontade?

4 A. Twelve total.

5 Q. And who were those individuals?

6 A. I don't remember all the name 'cuz that was
7 build in Brazil. I put a customer service in
8 Brazil to answer all the calls.

9 Q. Do you remember any of the names?

10 A. Like I -- Sanaza was one. I can write
11 everything down. I can get this right
12 information for you later if you guys be
13 okay.

14 MR. AHEARN: If we want to request
15 additional information we'll let your
16 counselor know.

17 THE WITNESS: Okay, no problem. I want
18 to give the right information. I don't want
19 to guess.

20 MR. LEONE: And thank you, that's right,
21 and so today --

22 THE WITNESS: Okay.

23 MR. LEONE: -- as you know.

24 (BY MR. LEONE)

1 Q. And so Diskavontade also had a five-level MLM
2 program, correct?

3 A. Actually seven.

4 Q. Seven levels?

5 A. Seven levels.

6 Q. And how many individuals were in that
7 program?

8 A. That time I think we get about 500 agents in
9 the U.S.

10 Q. What were the most amount of agents that
11 Diskavontade has had?

12 A. No more than a thous.

13 Q. A thousand?

14 A. A thousand.

15 Q. And out of that pool of a thousand agents did
16 you have a biggest agent?

17 A. Yes, I have a Jose Arantes was a good one.

18 Q. Could you spell that, please?

19 A. Jose, J-O-S-E, Arantes, A-R-A-N-T-E-S. Jose
20 Arantes was --

21 Q. Is that his full name?

22 A. Yeah. Plus I put a Diskavontade in Brazil,
23 too, then we done very well in Brazil.

24 Q. Other than Jose Arantes, any other big

1 agents?

2 A. Carlos Costa was good one, like not in the
3 U.S., but in Brazil in that time.

4 Q. So you brought Carlos Costa into
5 Diskavontade?

6 A. Oh, yeah, that was that time great man; he
7 work very hard.

8 Q. Any other ones besides Jose and Carlos?

9 A. Helio Silva was good one.

10 Q. Could you spell that?

11 A. Helio, H-E-L-I-O, Silva, S-I-L-V-A. There's
12 so many; my brother was a good agent, Fabio
13 Wanzeler, you know, so many ones I can't give
14 you guys -- I don't want guess here again,
15 but I can give you guys many as you want.

16 Q. Okay.

17 A. And the good thing, everybody happy, no one
18 ever lose money in our business; never -- we
19 never have any complaints. Like I said to
20 you guys, I'm here for 25 years, you never
21 see any complaints from myself or for our
22 companies in the 25 years.

23 Q. Okay. And does Diskavontade have a Web site?

24 A. Yes, they do.

1 Q. And when was the Web site created?

2 A. In 2002, I think.

3 Q. And who created the Web site?

4 A. I have guys in Brazil Web design, they done
5 the Web site for us.

6 Q. What is the name of those guys?

7 A. Bruno; actually, he's still with us. He's
8 done the Web site on TelexFREE, too.

9 Q. Bruno, does Bruno -- is that -- that's his
10 first name?

11 A. Bruno Cardoso.

12 Q. And does Bruno work for a company?

13 A. He's still with us.

14 (BY MR. O'HARA)

15 Q. Is he paid by TelexFREE for the work he does?

16 A. Now he's do. He's -- no, actually, he's paid
17 by Ympactus.

18 Q. Okay, and when he was --

19 A. Not TelexFREE, Ympactus.

20 Q. When he was building Diskavontade's Web site
21 was he paid by --

22 A. That time he's paid by -- actual, he's paid
23 by World Exchange because I put the name the
24 same company 'cuz I was very succeed on the

1 passion with the company. I mount a company
2 in Brazil call World Exchange Two, okay, and
3 the name, a fantasy name, it was still
4 Diskavontade, but the name World Exchange is
5 still in Brazil, okay, he's work for World
6 Exchange; but that's Brazil and don't get
7 confused on the U.S. But I was so passion
8 with the company I done that change my life,
9 you know, that's why I done the same name in
10 Brazil. But those guys always work with me
11 for long time.

12 Q. Okay, and World Exchange Brazil was your
13 company, correct?

14 A. Yes.

15 Q. Thanks.

16 A. For since 2005.

17 Q. Okay.

18 A. We build in 2005 and sell the same product we
19 sell here.

20 Q. And that's the Diskavontade products, right?

21 A. Exactly.

22 Q. Okay. So all agents in Brazil, would they be
23 agents of World Exchange Brazil?

24 A. World Exchange Brazil. We always try to do

1 everything legally inside a country to pay
2 our tax, you know, and because I know Brazil
3 is very restrict in tax and we try put
4 everything there to pay all our tax, pay the
5 tax for the agent, you know, that's how we
6 try to do the best thing we can to be
7 comprise on the company.

8 Q. Okay, so Carlos Costa, for instance, was an
9 agent of World Exchange Brazil?

10 A. World Exchange Brazil.

11 Q. And did World Exchange Brazil do all of its
12 business in Brazil under the name
13 Diskavontade?

14 A. Yes.

15 Q. Okay.

16 A. We have a Diskavontade there and Diskavontade
17 here.

18 (BY MR. LEONE)

19 Q. For the product that Diskavontade -- the
20 V-O-I-P product, how did you come up with the
21 pricing for that product?

22 A. Well, the -- always we look for a company
23 around us, like Vonage or BroadVoice, you
24 know, and we try to do better than those

1 guys, you know, and we all be comparable, you
2 know, and we don't try be too cheap. I know
3 we can because we have a very good rate
4 because we do a lot of minutes a month, we
5 can be half a price we do today, but why we
6 do that, make all our -- Vonage or everybody,
7 you know, mad; we try don't do that. We try
8 to be comparable, okay, and that's where the
9 price come, okay. Vonage --

10 Q. What was the price for Diskavontade, and it's
11 the same today or no?

12 MR. BERTHIAUME: Are you talking about
13 2002 --

14 MR. LEONE: Yes.

15 MR. BERTHIAUME: -- the original --

16 (BY MR. LEONE)

17 Q. Yes, we're going to start with 2002.

18 A. 2002 we have always about 49.90; we never
19 change. And like we have a comparable
20 product, actually, for Diskavontade. At
21 Diskavontade we have a product where the
22 people only call landline, not cell phone
23 that the people pay about 9.95, the same as
24 Vonage charge, okay, and the people can call

1 landline in Brazil. We have a product for
2 the people call a cell phone or landline for
3 over 40 countries that I charge 49.90, okay,
4 and like Vonage charge 69.90, BroadVoice
5 charge 54.90, you know, for long time, since
6 I know them. And always we try to be
7 comparable, you know, with everybody and we
8 work with everybody.

9 MR. AHEARN: Can we go off the record
10 for a minute?

11 MR. LEONE: Yes, let's go off the
12 record.

13 (Whereupon, the parties go off the
14 record.)

15 MR. LEONE: The time is 11:25, we are
16 now back on the record.

17 THE WITNESS: Okay.

18 (BY MR. LEONE)

19 Q. Mr. Wanzeler, you mentioned a company called
20 TelexFREE, are you familiar with that
21 company?

22 A. Oh, yes.

23 Q. Could you describe TelexFREE for me? Why
24 don't we start --

1 MR. BERTHIAUME: When you say TelexFREE,
2 you --

3 (BY MR. LEONE)

4 Q. What's your understanding of the company
5 TelexFREE?

6 A. TelexFREE come on board in 2012, help
7 Diskavontade product 'cuz it's same company
8 for me, you know, because they both -- we own
9 the same company, to sell our product over
10 the Internet instead invest money, you know,
11 in a TV advertise and radio, you know, save
12 money and work with the promoters to put ads
13 in many Web site around the world; that's
14 what TelexFREE about, save our money.
15 Instead of spend lot of money on TV
16 advertisement, we help our promoter sell our
17 product, change their life, and our company
18 make more customer than we done before.

19 Q. And it makes more customer how?

20 A. The agents sell our product, you know, like
21 when the agent go there, what we -- let's put
22 it this way, most people don't like selling
23 things, that's what the most MLM markets, you
24 know, around the world -- the MLM market when

1 A. Somebody have to go there and sign up for the
2 service.

3 (BY MR. LEONE)

4 Q. Okay, so let's take one promoter, when they
5 bring on one customer what does that customer
6 do?

7 A. The customer use the service only.

8 Q. How does the customer sign up for the
9 service?

10 A. They go on the Web site for the promoter Web
11 site, okay, and they go there, fill out the
12 name, address, and pay for the service,
13 49.90.

14 Q. Where do they go on the Web site to do that?

15 A. The Web site we give to them, the replicate
16 Web site. Let's put it this way, like say
17 you want sign up association our company,
18 okay, that's the first step for you. When
19 you sign up for association, TelexFREE give
20 you a Web site like called TelexFREE dot com
21 slash or the user name you pick it up or any
22 name you pick it up; that Web site you can
23 give to your customer. When you give that
24 Web site to your customer, they can try one

1 hour free and the same time they like the
2 service, okay, they go and you like, okay,
3 then you go on your back office and pay the
4 49.90 for your continue use for 30 days.
5 When the customer go to the back office, the
6 back office from the customer, okay, and pay
7 the 49.90, he's make his 10 percent
8 commission and the customer use month after
9 month, he's still make a 10 percent
10 commission. The question you ask, how the
11 customer come up, from his Web site; we give
12 a replicate Web site for them.

13 Q. So the replicated Web site that the customer
14 goes to, what do they do when they get to
15 that Web site?

16 A. They have like a link they can come up a
17 customer. They have like TelexFREE99,
18 explain the plan, you know, and they have a
19 link there they can say okay, try to service
20 for one hour before you buy, you know, they
21 can go here, there, and download the
22 software. Many ways they can try the
23 service, you know, they can use our access
24 number we have inside U.S., you know, over 50

1 country and try the service for one hour and
2 when he sign up the customer go there and
3 sign up with name, address, everything, they
4 have a log-in, customer log-in and a
5 password. They try one hour; when they try
6 one hour, they can log in to his -- the
7 customer back office and they can pay the
8 invoice for 49.90 and continue use the
9 service for 30 days.

10 Q. The log-in and password that a customer
11 receives, they use that to access the back
12 office?

13 A. The back office for the customer.

14 Q. And so is the back office for the customer
15 different from the back office for the
16 promoter?

17 A. It is.

18 Q. And how is it different?

19 A. They're different because the back office for
20 the customer, they don't see commission
21 residual, they don't see anything up there;
22 they only see what they use or the minutes
23 they use, you know, or paid invoice, that's
24 all the customer see. Customers don't see

1 what the promoters see because the promoter
2 when they go on the back office see the
3 customer they have, they see how much they
4 make, the commission, the residual, you know,
5 they make and all the notification we want to
6 the promoters there in the back office of the
7 promoter, it's totally different, it's two
8 different.

9 Q. Does a customer need a log-in and password
10 before they can access the 99 TelexFREE
11 program?

12 A. They need a user name and a password only if
13 they want continue use the service for 49.90
14 or use the -- actually, no, sorry, they need
15 to use -- they need the log-in to the back
16 office anyway. When he sign up to make one
17 hour free, they have to go on the back office
18 and register his telephone number up there;
19 if he's not register the telephone number
20 there, they cannot use our service. Okay,
21 when he's go there first time, okay, I want
22 use one hour free, he sign up for the
23 service, put all his information there, okay,
24 and he's will receive a verify e-mail, okay,

1 because just for make sure, you know, it's
2 validation the account, and when he receive
3 the validation in his e-mail, then he's can
4 go there with the log-in user name and two
5 step up there; one step is say okay, register
6 your number, okay, and second step you say do
7 your password 'cuz sometime this customer is
8 couple ways he's can use today. First way he
9 can use from the access number, then he's
10 need register his telephone number there;
11 that way our sister, you know, will --

12 MR. BERTHIAUME: System.

13 (BY MR. LEONE)

14 Q. System?

15 A. Sister, yeah.

16 MR. BERTHIAUME: System.

17 A. System.

18 MR. BERTHIAUME: System?

19 THE WITNESS: Yeah.

20 MR. BERTHIAUME: Okay.

21 THE WITNESS: Thank you for correcting
22 me.

23 MR. BERTHIAUME: No, that's okay.

24 A. We'll know that customer is our customer,

1 okay, and they have a credit for one hour.
2 Okay, when they do that and then they have
3 another step, okay, put your password. Why
4 you password, because let's say we have a
5 Telex app, I don't know if you guys heard
6 about that's a new application like WhatsApp
7 we do today, he's can download this on
8 Android or any phone he's have, or iPhone
9 today, okay, and put the user name and the
10 password he's put up there and our system,
11 you know, will find out that's a customer and
12 they can use from the Telex app, too, call
13 any cell phone or any phone around the world,
14 you know, with the application. If they
15 like, okay, they get a message, they use one
16 hour, the customer get a message if you like
17 the service please back up on the
18 TelexFREE.com Web site, put a user name and a
19 password and they get more credit, okay, and
20 they have a --

21 (BY MR. LEONE)

22 Q. And so how do they pay for the continued use
23 of the service?

24 A. By his credit card; a credit card or a couple

1 ways they can be paid, if the agent,
2 promoter, okay, have money in his account,
3 he's can go ahead and pay for his customer,
4 okay, that's one they bill it. If the agent
5 don't have credit card or whatever, the
6 customer want to pay that account, they can
7 go ahead and go there and pay that account
8 with a credit card they have. Credit card
9 many ways -- we work with iPayout today, they
10 have many ways the customer can pay through
11 iPayout, I don't know if you guys know about,
12 they can do wire transfer, they can pay with
13 ZipZap, or any other way; many ways our
14 customer can pay their bills.

15 Q. Currently can a customer go to the main
16 TelexFREE page, not a replicated page but
17 just the regular Web site page and
18 purchase --

19 A. We don't sell anything if it's not a promoter
20 today because we don't want to compete with
21 our promoter. And when the agent or promoter
22 customer want sign up on our Web site, the
23 first thing we ask, what's your promoter ID;
24 try to be fair with -- if they go on

1 Diskavontade, probably they can sign up 'cuz
2 no promoters there. We don't want to compete
3 with promoters.

4 Q. And so to back up to what you mentioned about
5 an agent promoter, they can pay for a
6 customer?

7 A. If they have the money they make with us with
8 residual income, yes. A couple ways they can
9 do that, the agent can request the money from
10 the company and the company will send the
11 money for him, but let's say they have a
12 customer there, okay, and a customer say,
13 "Hey, I don't have a credit card, can I pay
14 you money here?" Okay, if the agent have
15 money inside his back office, that's the
16 money he's make with commission residual,
17 okay, then he can go ahead and pay for the
18 agent -- for the customer. A lot of agent
19 promoter we have they own stores, especially
20 in the Brazilian market, many, many customer
21 go in the store, they don't have a credit
22 cards, okay, and they want buy our service
23 but they don't have credit cards, you know,
24 and then they go in the store there, the

1 agent have those account available and the
2 agent sell to direct customer with the he's
3 have inside his system. Got it?

4 Q. But do those customers then pay the agent
5 outside of the Web site?

6 A. They pay in the store, yeah, pay the money;
7 that's what we call bones. I don't know if
8 you guys see when I send to you they receive
9 payment on the bones. Bones is like the
10 agent request the money to our company, he's
11 use the money to pay to customer use the
12 service, but he's received from the customer,
13 you know, instead the customer go direct and
14 pay in our company, they can pay to the
15 agent, but the agent have the money he's win
16 from the -- for the money from the residual
17 income he's have. But the question there,
18 this money is already 1099, okay, it's money
19 the agent make and they're clear, just to be
20 clear.

21 Q. This is all how it happens currently, right?

22 A. This is happen before and now. The agents
23 can pay for his customer but the customer pay
24 him. It's not the agent pay for the

1 customer, the agent pay with the money he's
2 have in his back office, he's not withdraw
3 that, okay, I have money here, I can request
4 the money for the company or I can use to pay
5 invoice inside the system. And the customer
6 want sign up, they have an invoice number,
7 okay, and the customer give the agent invoice
8 number, okay, the agent put the invoice
9 number there; let's say if the agent have a
10 thousand dollars to request our company and
11 they pay 49.90, he's going to have around
12 \$950 after they pay that. And the customer
13 already paid them, it's no different if he's
14 request the money he's make \$50; if he's --
15 the customer go there and pay the agent, he's
16 make \$50 either way, okay. The nice thing is
17 that he's still making his commission
18 residual income, okay, when the customer pays
19 it doesn't matter if the customer pay with a
20 credit card or he's pay the invoice for the
21 agent, he see the 10 percent commission right
22 there.

23 Q. So an agent promoter could also just pay for
24 a customer and not get money from the

1 customer, right?

2 A. No, why they do that?

3 Q. Well, could they do that?

4 A. Oh, if they want to give away, yes, but you
5 know what, let's say a businessman, I'm a
6 businessman, if I want get that customer, if
7 I know they use our service for one month and
8 I know he's going to pay every month, month
9 after month, I probably give away -- I can
10 give away one month to my customer and 49.90,
11 know what, I gonna have this customer for one
12 year or two years use the service because
13 when he start use the service, he's be happy.
14 But I don't know -- I don't see why the agent
15 pay the customer and not make money, you
16 know, it's not reason for.

17 MR. BERTHIAUME: Reasonable?

18 A. Yeah, I don't see why they do that. I never
19 see that -- I don't see that on my system,
20 okay, I think the customer pay him, okay?

21 (BY MR. O'HARA)

22 Q. If a customer pays an agent with cash and the
23 agent then -- well, the agent pays for the
24 customer, right, there's money deducted from

1 the agent's account?

2 A. His account; let's say it's like a bank, you
3 see what you receive, what you pay, you know,
4 if he's pay an invoice inside there, they see
5 that that box right there, okay, minus 49,
6 under there they see okay, 4.99 commission
7 residual.

8 Q. Okay.

9 A. They see right there what they make.

10 Q. Sure, okay, and then if the agent pays for
11 the customer and the customer pays the agent
12 cash, say it's cash, does the agent then
13 forward that cash to TelexFREE?

14 A. No. The cash goes to the agent because the
15 money is already there. The money is the
16 agent already make from TelexFREE on the
17 residual income, okay?

18 Q. Okay.

19 A. That money, it's like a bank, you know, when
20 you see -- you state of a bank, okay, you see
21 how --

22 MR. BERTHIAUME: Statement.

23 A. -- much you make, statement, it's the same
24 thing. If the agent make a residual income

1 on our company they can do anything they want
2 with that money; first of all, he's declared
3 that money. We have 1099 by the end of year.
4 Okay, they can transfer this money to any
5 other agent, they just can pay invoice, they
6 can do anything they want because their money
7 will be clear, okay. When they pay for the
8 customer it's easy because a lot of customer
9 don't have a credit card, you know, we want
10 get those customers, okay. If the agent --
11 the customer pay for the agent because the
12 customer don't have a credit card and the
13 agent, you know, pay for them, it's for us
14 it's good, okay. First of all, it's not a
15 lot of money come out the company, you know,
16 the money stay inside the company, that's a
17 good prof for the company; instead I have the
18 agent request money, they get customer and
19 use the service, you know, and use our
20 product.

21 (BY MR. O'HARA)

22 Q. I'm not sure I followed the last two
23 sentences, you said the agent requests money
24 from the --

1 A. Oh, yeah, because if the agent make \$1,000 in
2 my company, couple ways he's can do; he can
3 request the money, right; if they request the
4 money I have to send the money to his
5 account, bank account.

6 Q. Okay, request the money from TelexFREE?

7 A. If he's pay for customer inside the syst is
8 better for our company, right?

9 Q. Why?

10 A. Because we sell a customer; we get a
11 customer. He's not request the commission
12 residual to put in his pocket, he's just sell
13 a customer. I pay less and get a customer.
14 You got it?

15 Q. You -- TelexFREE pays less?

16 A. Let's say you a agent, you have a thousand
17 dollars right there, what's better for me, I
18 pay a thousand dollars for you or you bring
19 the customer to our company; what's better
20 for the company? The better for the company
21 you bring -- if he's bring 100 customer to
22 the company and the company don't have to
23 transfer any money to the agent, okay, it
24 would be better for the company and get more

1 customer because this customer will pay month
2 after month. That's what I try to say, for
3 us it's much better if the agent sell and pay
4 with a commission or they make in our
5 company, then the customer go there and pay
6 the credit card, first of all we save money
7 there on the fee; with the credit card fee is
8 about 3.5 percent right there, you know,
9 that's what the company's not pay. It's very
10 good for the company.

11 (BY MR. LEONE)

12 Q. How does TelexFREE know which customer the
13 agent is paying for?

14 A. Because the log-in show up there, right
15 there, you know, the agents pay for 'cuz
16 every agent have a log-in name.

17 MR. BERTHIAUME: And he's paying an
18 invoice.

19 A. And he's paying an invoice; they pay invoice
20 and the amount he is paid. Everything is a
21 track inside the system.

22 (BY MR. LEONE)

23 Q. So is there a track of just customers for
24 TelexFREE?

- 1 A. We track everything, customer, agent,
2 promoter, whatever, agent/promoter is the
3 same. Every amount get in, every amount get
4 out inside the system we track that.
- 5 Q. So TelexFREE has a tracking system for people
6 that are just customers?
- 7 A. Yeah, we do, a customer and a promoter.
- 8 Q. No, no, no, but how about just customers?
- 9 A. Yes, because at the log-in for the customers
10 is different from the log-in for the
11 promoter.
- 12 Q. And has that always been the case?
- 13 A. Always; customer is a customer, promoter is a
14 promoter.
- 15 Q. And you've always had separate log-ins?
- 16 A. Separate log-ins; you log in for the
17 customers, it's different for log in for the
18 promoter. Actually, I give that to you guys,
19 you guys asked for a lot of report, you guys
20 can see all customers, all promoters, I put
21 all separate for you guys before.
- 22 Q. Looking at the log-ins for individuals, how
23 can you tell that it's either a customer or a
24 promoter?

1 A. Because when you go to the Web site
2 www.TelexFREE.com, you have to select; if you
3 go with promoter log-in there, try go with a
4 customer log-in, you cannot log in. If the
5 promoters have to select a promoter and put a
6 user name and a password; if the promoter
7 select the customer and put a user name and
8 password, he's cannot get in. It's two
9 different, you know. The customers is same
10 thing, let's say if the customer go there and
11 select promoter and put user name and a
12 password, they cannot log in the back office.
13 They only can log in the back office if they
14 select customer, put a user name and a
15 password, then they log into the back office
16 on the customer. It's two different;
17 promoters it's bring customer to our company,
18 customers use the service.

19 (BY MR. NEELON)

20 Q. If a promoter is also using the service does
21 he have a separate log-in?

22 A. You have to have.

23 Q. So he would have two log-ins if he was using
24 the service?

1 A. If he's use the service you have to be a
2 customer, he's have to go there and sign up
3 on Web site.

4 Q. So he would have two log-ins, a promoter and
5 a customer?

6 A. Two log-in, one promoter, one for the
7 customer.

8 (BY MR. LEONE)

9 Q. Could it be the same user name and they just
10 click?

11 A. No, no.

12 Q. And has that always been the case?

13 A. Always been the case, is have to go there,
14 log in -- actually, no, in the begin -- I
15 remember now, in the begin we give one --
16 when the agent come promoter we give a free
17 account for they can try one month of the
18 49.90, they don't pay for the first month,
19 but that was way begin and then every time
20 the promoter sign up there was account
21 vinculator with a promoter --

22 MR. BERTHIAUME: A what?

23 A. -- vinculator, it's together.

24 MR. BERTHIAUME: Linked?

1 A. Link, okay, that was the begin when we start
2 TelexFREE in 2012. Then we don't see, you
3 know -- and then we decide, okay, we're not
4 going to do that anymore because a lot of
5 conflict in our system and then, okay, the
6 customer have to sign up, doesn't matter if a
7 promoter or not promoter, they have to sign
8 up on the Web site. Then we stop that --

9 MR. BERTHIAUME: Conflict?

10 A. -- conflict together. Today is no way; today
11 is promoter is a promoter, customer's a
12 customer.

13 (BY MR. LEONE)

14 Q. But a promoter could also be a customer,
15 correct?

16 A. Oh, yes, why not. Actually, I want them be
17 first customer, know why, because if they use
18 the service and they like the service they
19 can refer for another. I don't see why our
20 promoter not be the first customer, because
21 how you can sell something if you don't know
22 about. Now, that's what -- remember when I
23 said in the beginning here I done this, the
24 first thing I done with Exchange become the

1 first customer because I want try the
2 service, I want see if that work, then I can
3 sell for another. And I guarantee to you
4 most our promoters is the first customer.

5 (BY MR. NEELON)

6 Q. Are promoters required to have an active
7 V-O-I-P account in order to qualify for any
8 bonuses or any type of compensation?

9 A. Always sells was requirement. If they don't
10 have sell, they don't have customer, they not
11 make money on our company.

12 Q. So are they required to have an active
13 V-O-I-P service in order to qualify for any
14 compensation?

15 A. What do you mean a V-I-P service, I'm sorry?

16 (BY MR. LEONE)

17 Q. Do promoters need to have a 99 TelexFREE --

18 A. No, no, they don't have to be their own
19 customer; it's no require for them to be
20 their own customer to be a promoter because
21 they can sell. That's what -- I have a
22 promoter, they don't call anywhere,
23 especially in U.S., people live inside U.S.,
24 okay, they don't need the product, but they

1 know a lot of Brazilian people, a lot of
2 Spanish people use the service, you know,
3 they can sell. We now require our promoter
4 be the first customer, but for the Spanish,
5 Brazilian market and most those countries,
6 they will be the first customer because they
7 save money; how they not gonna be the first
8 customer, if he spend money on another
9 company, they know pay so much money, they
10 will be the first customer. Ninety percent
11 of our promoters today is the Spanish,
12 Brazilian, around, you know, they use our
13 service.

14 Q. Ninety percent of promoters today use the
15 service?

16 A. I think so because I don't know why they not
17 use because I tell, you know, that's -- if
18 I'm a promoter -- I cannot guarantee that,
19 sorry, I take the 90 percent off because I
20 cannot guarantee, but if I'm promoter, if I
21 call to Brazil, I will use the service; why I
22 use another company, I gotta use the service
23 I believe, I have my passion, you know,
24 that's what I do. In my case in my personal,

1 that's what I done before, that's how I will
2 do if I'm a promoter.

3 Q. And does TelexFREE define a customer as
4 someone -- how does TelexFREE define what a
5 customer is?

6 A. When the customer go on the Web site and
7 he'll sign up for the service.

8 Q. So are -- when we say 10 customers, does that
9 mean 10 separate log-ins?

10 A. Exactly; cannot be one customer -- 10
11 customer be the same log-in, have to be
12 different log-in.

13 Q. But could it be the same customer with
14 different log-ins?

15 A. We not allow on our -- we try not allow on
16 our system. We have a case a customer want
17 buy for the family, you know, some customer
18 want buy for their mom or uncle or something,
19 but what we try, especially on new one, we
20 try not -- we try prevent people, you know,
21 not be their own customer, that's what we try
22 prevent on our system and we've never --

23 Q. That's nowadays?

24 A. Exactly. And very restrict in our company

1 and we try to be better every day to try --
2 those guys try make money in our company and
3 not do the right way, okay, we try and make a
4 lot of restriction in our -- when people sign
5 up, this is not happening.

6 Q. The structure that you described with the 10
7 customers and the five customers, that was
8 recently changed, right?

9 A. That recently changed.

10 Q. And what was the change?

11 A. First because we have a new product --

12 Q. I'm sorry, when was it changed?

13 A. March 9.

14 Q. Okay, and then why was it changed?

15 A. Why is it changed, we going to bring two new
16 product on the board, okay, one is Telex
17 Mobile and the way we change, we cannot sell
18 a package in Telex Mobile, okay, that's one
19 of the reas and then we think about, okay,
20 instead of buy package, you know, why we not
21 request to sell those before, buy the
22 package, and that make easy for us because
23 the new product will come aboard and to tell
24 the true, you know, a lot of people don't

1 understand the business we do and we try
2 quiet those people down, you know, and we
3 think the way we do now people will
4 understand better our business because we get
5 a hammer everywhere. We get a hammer in
6 Brazil, got a hammer in Portugal, and here,
7 that's why I'm here today, you know, and we
8 try to be -- it's very hard for us explain
9 what I explain to you here outside because
10 I'm not there, you know, and then we try
11 be -- nothing wrong what we done before, but
12 we try show the people the company want
13 customer. The company is not here to bring
14 agent aboard, we want to bring customer
15 aboard; that's one of the big reas we change
16 our comp plan and the way big companies do
17 out there like Herbalife or Avon or
18 something, you know, try, okay, bring 10
19 customer, you be a promoter, now you maintain
20 you five customer, you know, always we ask a
21 customer, customer, customer. We ask a
22 customer before but to buy a wholesale
23 package and because a lot of question about
24 we decide to change; not only because that,

1 it's more because the product and we think
2 that our promoter make more money the new
3 company we are and the old one. I see more
4 money there for our promoters, that's why we
5 change.

6 Q. Under the old system did TelexFREE have a way
7 of keeping track of how many 99 TelexFREE
8 customers --

9 A. Oh, yes, actually February we track was about
10 11 million minutes our customer use and over
11 five -- I think it was 580 customer, retail
12 customer, we talk about retail customer, we
13 don't talk about any --

14 MR. BERTHIAUME: 580?

15 A. 580 thous or more.

16 MR. BERTHIAUME: Thousands?

17 A. And the customer paid TelexFREE99 49.90.

18 (BY MR. LEONE)

19 Q. And when you say retail customers, are those
20 people that just use the 99 TelexFREE product
21 or could those also be people who are
22 promoters and using the product?

23 A. There can be some, but I believe most peoples
24 retail customer come outside and use our

1 service.

2 Q. From that number that you've given, 580,000,
3 is there a way to determine how many people
4 out of that 580,000 only use the 99 TelexFREE
5 product?

6 A. That's all use only the 99 TelexFREE product.

7 Q. But I believe you just said that the 580,000
8 also includes promoters who may use the 99
9 Telex --

10 A. I don't think so. This is a retail customer.
11 Okay, if the promoter -- remember I said to
12 you that everybody have to be a customer; if
13 the promoter want be the first customer, they
14 can go there and sign up for be a customer.

15 Q. So that 580,000 number could include
16 promoters who have signed up?

17 A. Could include promoter, yes.

18 Q. And do you know if it includes promoters?

19 A. Of course, I think some those customers is
20 promoter.

21 (BY MR. O'HARA)

22 Q. The 580,000 retail 99 TelexFREE packages that
23 were sold in February 2014, that's the total
24 amount of 99 TelexFREE packages that were

1 sold in that month?

2 A. That month.

3 Q. Okay, now, could you --

4 MR. BERTHIAUME: Well, is that -- I want
5 to make sure we're saying the same thing.
6 Are we necessarily saying that there were
7 580,000 customer packages sold, new packages
8 sold in February, I mean I believe a
9 significant portion is recurring of the
10 customers that were --

11 MR. O'HARA: But they buy every month,
12 they have to buy a new --

13 MR. BERTHIAUME: Correct, but not new
14 customer.

15 A. Not new customer; we have recurring customer
16 pay every month and we have a new customer.
17 I think -- I don't remember if I look at
18 that, but I think 70 percent was -- 70 or 60
19 percent was recurring customer pay every
20 month.

21 (BY MR. O'HARA)

22 Q. Okay, so let's just say it a different way,
23 maybe this will be more clear for the record,
24 in February 2014 there were about 580,000

1 accounts using 99 TelexFREE?

2 A. Paying the 49.90.

3 Q. They paid 49.90?

4 A. Exactly.

5 Q. Okay.

6 A. And the quest you guys have can be some agent
7 bought this 49.90 and use like a customer, I
8 say yes, can be some agent but I guarantee to
9 you guys most our customers, it's a retail
10 customer.

11 Q. And could you look at these 580,000 accounts
12 and determine which account belongs to a
13 promoter versus --

14 A. It's hard to look because first of all it's a
15 different log in, you know, it's very hard to
16 know if it's a promoter or is a customer,
17 okay, let's put it this way, for us it's a
18 customer; they use, they pay, okay, and 11
19 million minutes there, we see the 11 million
20 minutes use, okay, for us don't make
21 different if it's a promoter or if it's a
22 different customer. We have 580 customer, 80
23 thousand customer and we have 11 million
24 minutes use, okay; for us it's good for our

1 company, it was a very good margin, you know,
2 we see people use our service, it's not
3 something people buy and not use, you
4 understand, that's what for us is important.

5 Q. Of the 580,000 99 TelexFREE accounts in use
6 in February 2014 approximately what
7 percentage of those customers paid cash -- or
8 paid directly to TelexFREE as opposed to
9 having their agent pay for them?

10 A. That's a hard because -- probably -- I don't
11 know. I cannot guess. I have to look that.

12 Q. Yeah, you couldn't even approximate based on
13 historically how much?

14 A. I never look.

15 Q. Never look, okay.

16 (BY MR. NEELON)

17 Q. Mr. Wanzeler, earlier you testified that
18 TelexFREE keeps a list of just retail
19 customers, correct?

20 A. They have a name, retail customer and they
21 have promoters.

22 Q. Right, two separate lists, correct?

23 A. Two separate lists.

24 Q. So would it be possible to compare the names

1 on those lists to determine how many sales
2 are made --

3 A. It is, but you never take a hundred percent
4 of that, you know, because how many Joao
5 Silva are in U.S., okay, it can be --

6 MR. BERTHIAUME: How many what?

7 A. Joao Silva, same name, it's hard. Let's put
8 it this way, if there's a Carlos Wanzeler, I
9 can compare it because name Wanzeler is very
10 hard name and I never find one inside U.S.,
11 only mine, okay? I easily can go there and
12 compare it, okay, this is a promoter, is a
13 customer. But in another way I don't see how
14 we can found out.

15 (BY MR. NEELON)

16 Q. Could you also compare addresses?

17 A. We can; be hard, believe me, it's 580,000,
18 can you think about go each one of them and
19 compare them, that would take about one year
20 from now to compare those. That would be
21 very hard. But, guys, what I try to say
22 here, it's a customer use our service, for us
23 if it's promoter, a customer outside, people
24 use, was 11 million minutes, somebody use 11

1 million minutes because they like the
2 product, it's not something, you know, we not
3 have a product, we not have a service there,
4 you know, that's what I want to be up front
5 to you guys; if there's a promoter who's a
6 customer, I guarantee to you there's a lot of
7 retail customer there, but for us don't make
8 a difference.

9 (BY MR. LEONE)

10 Q. Do you have any figures for prior to
11 February; how about January, how many
12 customers did you have then?

13 A. I have their -- actually, it's about -- we
14 grow about 30 percent, 20 percent every
15 month; every month we grow like 20 percent or
16 30 percent. If you minus 20 percent there,
17 that's what I think was in January.

18 Q. How about a year ago?

19 A. A year ago, that's what happened; our company
20 start in Brazil, okay, grow, grow, grow, grow
21 to June.

22 MR. BERTHIAUME: To grow, grow, grow to
23 what?

24 A. To June 2013.

1 (BY MR. LEONE)

2 Q. June?

3 A. Exactly.

4 (BY MR. NEELON)

5 Q. This is TelexFREE in Brazil?

6 A. TelexFREE, yeah.

7 MR. BERTHIAUME: Wait a minute, are we
8 talking about Ympactus or are we talking
9 about TelexFREE Inc., I just want to make
10 sure we're all talking the same --

11 A. That's Ympact because TelexFREE Ympactus
12 start in Brazil. They use our name brand and
13 bring a lot of customer, right. We see the
14 grow there and we see the drop because the
15 only TelexFREE U.S. use, then we see grow
16 again, grow, grow, grow, up to today. Then
17 we see about 10/20 percent, you know, grow
18 every month.

19 (BY MR. LEONE)

20 Q. So coming back to my question, a year ago do
21 you know how many TelexFREE users only used
22 the 99 TelexFREE program?

23 A. Yeah, I know that.

24 Q. And how many?

1 MR. BERTHIAUME: Off the top of his
2 head?

3 A. I don't know from top head, but I can get the
4 number for you.

5 (BY MR. LEONE)

6 Q. Would it be less or more than 580,000?

7 A. Oh, less.

8 Q. Could you guess?

9 A. I can't.

10 Q. Okay.

11 A. I need to look.

12 Q. Okay. All right, moving forward, does
13 TelexFREE have a Web site in the U.S.?

14 A. Our Web site is international; it's U.S., all
15 worldwide.

16 Q. So the same Web site is used around the
17 world?

18 A. Same Web site everywhere.

19 Q. What is that Web site address?

20 A. TelexFREE.com.

21 Q. When was that Web site created?

22 A. 2012.

23 Q. Who created the Web site?

24 A. I did.

1 Q. Who drafted the content that existed on the
2 Web site in 2012?

3 A. What do you mean?

4 Q. So the Web site had information on it; is
5 that right?

6 A. That was the Brazilian Ympact down there;
7 everything was done --

8 MR. BERTHIAUME: Just Ympactus,
9 Y-M-P-A-C-T-U-S?

10 A. Yes, everything was designed by Ympact in
11 Brazil on the Web site.

12 (BY MR. O'HARA)

13 Q. So Ympactus created the Web site that
14 TelexFREE uses?

15 A. Yes.

16 Q. Is that -- who at Ympactus created the Web
17 site?

18 A. Bruno Cardoso.

19 Q. And did he do it by himself or did he have
20 other people helping him?

21 A. He did it by himself that time.

22 (BY MR. LEONE)

23 Q. Did you give Bruno information to put on the
24 Web site?

1 A. No, they done it all there because Carlos
2 Costa give all the information what they need
3 to put up there.

4 (BY MR. O'HARA)

5 Q. So Carlos Costa was in charge of the content
6 on the site?

7 A. Exactly.

8 Q. I think you said earlier in your testimony,
9 this is just going to a slightly different
10 topic, that 2012 you made a decision or your
11 company, I guess Brazilian Help made the
12 decision to move the advertising from
13 television-based to Internet-based, right?

14 A. Mm-hm.

15 Q. Was that your idea?

16 A. That was idea with Costa when he's call me
17 that time 'cuz he have more experience with
18 the Internet basis than me.

19 Q. Can you just tell us how that idea to change
20 directions in --

21 A. Yeah, he's --

22 MR. BERTHIAUME: Just let him finish.

23 THE WITNESS: Okay, sorry, go ahead.

24 (BY MR. O'HARA)

1 Q. So can you just tell us how that decision to
2 change direction in the marketing took place?

3 A. The decision was that he call me and he say,
4 "Carlos, I know you spend a lot of money with
5 the TV advertisement and I have a good idea
6 here. If we do this over the Internet, you
7 know, you can get much more customer and you
8 do the TV advertisement now." That's what
9 the idea was about.

10 Q. Okay, and when did you first meet Carlos
11 Costa?

12 A. 2005.

13 Q. And how did you meet him?

14 A. He's come an agent on Diskavontade Brazil.
15 Actually, he's agent for Herbalife, too, he
16 have a very good experience on the network
17 market.

18 Q. So you first met him through your company --

19 A. Through my company, he was my top agent in
20 Brazil.

21 Q. Okay, you didn't know him before he came to
22 your company?

23 A. Oh, no.

24 (BY MR. LEONE)

1 Q. How did he find out about your company?

2 A. Because he's already know Diskavontade before
3 and he's work for another company up there
4 and one day when he's left I said to him,
5 "You know, Carlos Cost, one day if you come
6 to my company I want work together with you
7 because I know you very hard work." You
8 know, then he's have this good idea then he's
9 come back in 2012, let's work together.

10 Q. My question is how did he find out about
11 Diskavontade to become an agent?

12 A. Because he was a -- oh, that was in Brazil;
13 in 2005 we start sell our plan in Brazil and
14 he's work for Herbalife in that time, I
15 think, and he saw my company, you know, and
16 he's come -- and he's call my company,
17 someone in my company in Brazil and he's went
18 down there, he's say he's want speak direct
19 with me and that time I was in U.S., then I
20 went down because he's was big agent, you
21 know, very good agent, then that's how he
22 started be agent in Diskavontade in Brazil.
23 Then he's left, work for another companies,
24 and then he's -- I give him the opportunity

1 because he's very good agent, was my mistake,
2 I lost him at that time because I have one of
3 my employee don't understand how network work
4 and always was conflict my employee with him
5 and he's left from my company and that time I
6 feel so bad because, you know, I lost a very
7 good agent. Then I called him that time and
8 say, "Carlos, one day if you come, we do
9 something together because you are hard
10 work," and I see him work on other companies
11 there, the company only don't pay him much,
12 you know, that guy was great, very
13 experienced guys and he's work like a company
14 Pronto-tel, something like that. He's build
15 everything, all the idea on Pronto-tel and I
16 don't see -- I see -- they only make money,
17 he's not making nothing and I said to him,
18 "One day you come to me again, we do
19 something together 'cuz I know you very smart
20 man." And he's come to me in 2012 and we
21 done a business. Thanks God and thank the
22 hard work he's done.

23 Q. Had you been in contact with him?

24 A. Carlos Cost?

1 Q. From 2005 to 2012?

2 A. Every day.

3 (BY MR. O'HARA)

4 Q. Even when he wasn't part of Diskavontade?

5 A. No, because he's a part of Ympactus.

6 Ympactus, the business for TelexFREE in
7 Brazil.

8 Q. When was Ympactus created?

9 A. 2012.

10 Q. 2012, yeah, so you said that -- or I think I
11 heard you say that Carlos left

12 Diskavontade --

13 A. Diskavontade --

14 Q. -- at some point --

15 MR. BERTHIAUME: Just let him finish.

16 (BY MR. O'HARA)

17 Q. So at some point Carlos left Diskavontade; is
18 that correct?

19 A. Yeah, it's about two thousand sev or 2008.

20 Q. So between 2008 and 2012 were you in contact
21 with Carlos Costa?

22 A. A couple of times I just talk with him, see
23 how he's doing or something; then he's back
24 again in 2012.

1 Q. And did he make contact with you or did you
2 make contact with him?

3 A. He's call me.

4 Q. And what did he call you for?

5 A. Because he's believe in the product we have,
6 very good product, you know, and he's believe
7 the idea he's have with our product, you
8 know, he's can sell a lot, you know, and that
9 was true, that's what happened. And then
10 he's just bring the idea what's he have about
11 TelexFREE and then we built.

12 Q. Okay, and when he talked -- in your response
13 you used the term "our product," are you
14 referring to Diskavontade's product?

15 A. TelexFREE99.

16 Q. TelexFREE99, so --

17 A. It's already exist in the Diskavontade today.

18 Q. Okay, so there was a product that
19 Diskavontade sold that was called
20 TelexFREE99?

21 A. Yeah, we put a name TelexFREE99.

22 Q. Okay, and when did you create that product?

23 A. 2012.

24 Q. 2012, okay, so you created it or you

1 rebranded a product?

2 A. The name was Diskavontade, but that's what
3 the main name we sell for 49.90; because it's
4 different company, we want make something new
5 and we brand-name for TelexFREE99.

6 Q. Same product, new name?

7 A. New name.

8 Q. Got it, okay. So then Ympactus was --

9 A. Sorry about that, guys, my English sometimes
10 I confuse. I'm going to try to be slow.

11 MR. LEONE: If you don't understand any
12 of the questions that we ask in English we
13 can use the interpreter, so just let us know.

14 THE WITNESS: No, no, I understand
15 everything.

16 MR. O'HARA: I talk fast, too, so ask me
17 to repeat the question.

18 THE WITNESS: I want everybody here be
19 clear, no confuse, and you guys know what...

20 (BY MR. O'HARA)

21 Q. So Ympactus was created in 2012?

22 A. 2012.

23 Q. And was TelexFREE also created in 2012?

24 A. Yes, that's the Ympactus.

1 MR. BERTHIAUME: Well, when you said

2 TelexFREE --

3 (BY MR. O'HARA)

4 Q. TelexFREE in the United States?

5 A. Yeah, TelexFREE, I have a company called Comm
6 Cents Communication.

7 MR. BERTHIAUME: Common?

8 A. Common Cents Communication.

9 MR. BERTHIAUME: Common Cents, C-E-N-T-
10 S, Communications.

11 A. Okay, got it, okay. For since 2002; what I
12 did in that time, we already have a company
13 created, we use that company and just change
14 Comm Cents Communication to TelexFREE
15 International. Because we already have that
16 company open, we use the same company.

17 (BY MR. LEONE)

18 Q. Going back to the TelexFREE Web site, is that
19 Web site accessible to the public?

20 A. Yes.

21 Q. And is there also a nonpublic portion of that
22 Web site?

23 A. I think so, right, everybody can access the
24 Web site.

1 Q. But is -- there's also a back office, right?

2 A. Oh, the back office it's for TelexFREE only
3 for our employees; that's not for the public.

4 Q. Okay.

5 A. You talk about the Web site or you talk about
6 the back office?

7 Q. So there's a difference; is that right?

8 A. There's two different; the Web site when the
9 customer go there and sign up for the
10 service; back office what we keep track for
11 everything we have, payment, everything.

12 MR. LEONE: I'd like to introduce a two-
13 page exhibit containing a screen shot of the
14 TelexFREE back office.

15 THE WITNESS: Sure.

16 (Whereupon, Exhibit No. 1, Screen Shot
17 of TelexFREE Back Office, was marked for
18 identification.)

19 MR. LEONE: Mr. Wanzeler, just take a
20 moment to review that, please.

21 (Witness views document.)

22 THE WITNESS: I'm ready.

23 (BY MR. LEONE)

24 Q. Have you had a chance to review this

1 document, Exhibit 1?

2 A. Exhibit 1, yep.

3 Q. And have you had a chance to review it?

4 A. That looks to me is the back office for our
5 agent.

6 Q. Okay, what I'm asking you is just have you
7 had a chance to review the exhibit?

8 MR. BERTHIAUME: Have you had a chance
9 to look at it?

10 A. Yes.

11 (BY MR. LEONE)

12 Q. And could you describe the exhibit?

13 A. This is a TelexFREE back office.

14 Q. And does the back office always look as it
15 appears in this picture?

16 A. It look like -- it's hard to know because a
17 lot of people -- I found some fraud before,
18 people make the same Web site we build, you
19 know. The first thing I look, I look here,
20 what does the printscreen.com; this is not
21 TelexFREE.com. How are you -- what's this
22 Web site here? This is look like not come
23 from us. Printscreen.com, it's supposed to
24 be TelexFREE.com here.

1 Q. Okay, so if you were on a computer and you
2 were looking at this back office, it would
3 say TelexFREE.com?

4 A. Yeah, the first thing I look on the top, you
5 know, what's the address. The address I look
6 here, I cannot say this is mine because the
7 address is not TelexFREE.com.

8 Q. Okay, but does this --

9 A. But does look the same.

10 Q. It looks the same, okay.

11 A. Yeah.

12 Q. Okay. And would this be a promoter's back
13 office or a customer's back office?

14 A. Promoter's back office.

15 Q. And why would it be a promoter's back office?

16 A. Because I can see here they can see the
17 network left and right to see the balance,
18 they can do the balance; I can see the date
19 there, the sign-in on the side, user name and
20 a password; see here date the four, eight,
21 that's exist.

22 MR. BERTHIAUME: Four, three, is that
23 what --

24 A. Four, three, right, it's very small. Yeah,

1 can see advertisement, reports, you know,
2 that's what they do, they advertise the tree,
3 they can see everybody under them, the
4 statement; customer cannot see that, that's
5 the back office for the agent, for the
6 promoter.

7 (BY MR. LEONE)

8 Q. And how would the customer's back office
9 look; what would be on that back office?

10 A. Customer's going to be home, probably like
11 register your cell phone, you know, or your
12 password or invoice, that's all; it's not
13 much information.

14 Q. And are there pictures in the customer's back
15 office?

16 MR. BERTHIAUME: Icons?

17 (BY MR. LEONE)

18 Q. Or icons, yeah.

19 A. It's more pictures, not like everything here,
20 no.

21 Q. So which icons would be in the customer's --

22 A. Sometimes we give some information for the
23 customer, we can put some information there,
24 or notify the customer you haven't pay on

1 invoice or something like that, but nothing
2 like advertisement, reports, you know,
3 there's nothing like that.

4 Q. So would any of these icons appear in the
5 customer's back office?

6 A. No.

7 Q. None of them would?

8 A. None of them, because they don't need that.

9 It's only -- the customer appear only the
10 place they can register the telephone number,
11 you know, and they can change the password or
12 they can pay the invoice. If I remember
13 correct, there's only sold me three things
14 that appear there; there's not much.

15 Q. Would those appear as icons or would those
16 appear just as text?

17 A. I think just the text on the top, something.
18 I can go ahead and sign up somebody, take one
19 for you guys see, but it's total different.

20 Q. And do you have your own user name and
21 password for TelexFREE's back office?

22 A. For promoter or for customer.

23 Q. For either.

24 A. No, I don't have, but I can get one for you.

1 I can call our company and get one.

2 Q. Well, how would you log on right now to get
3 on to the back office?

4 A. No, I log in like administrator. I have a
5 log-in as administrator, I don't need to go
6 to the back office for the customer. I can
7 look there direct as administrator and I
8 don't usually go there because I already have
9 this access and, you know, on the admin site.

10 Q. What is the admin site, the back office site
11 look like?

12 A. The admin, the admin everything; it's
13 information, invoice, all the agents, all
14 the -- everything is there. If I want to
15 look on the back office I don't have to go
16 log in like a promoter, I can go there and
17 click and I can look the back office for each
18 one of my agent, each one of my promoter.

19 Q. Did someone create the back office?

20 A. Bruno Cardosa; he's the one done everything.
21 But I'm very impressed because I don't see
22 TelexFREE.com on the top; it's supposed to be
23 HPP what this about, print, this is not our
24 company.

1 (BY MR. NEELON)

2 Q. Is this an accurate representation, though?

3 You said they look the same, correct?

4 A. Yeah, they look the same, but you understand
5 that it's a very -- if you go there in the
6 back office you print that, it have to come
7 my address on the top here, okay, and that
8 would make -- we have a couple of agent have
9 a fraud and people go there and try steal
10 money or something from their back office.
11 The first thing I look, you know, I look
12 where's my address here; you see, the address
13 is not here, that's not us.

14 (BY MR. LEONE)

15 Q. What other information would you look at to
16 confirm that it was the back office?

17 A. The most information look for the address.

18 Q. Any other information?

19 A. The address is most important because that's
20 what prove the promoters are in our back
21 office; if the information they have does not
22 match, this is somebody else make a fake Web
23 site, same ours, and try do something. If I
24 go there and I bring it right now in the back

1 office, I guarantee to you there's a
2 TelexFREE.com on the top.

3 Q. Stepping back, how would a promoter log on to
4 the back office?

5 A. They have to go TelexFREE.com slash his user
6 name and above there they have a user name
7 and password; they can put the user name and
8 a password and log in.

9 Q. And then it would bring them to the back
10 office?

11 A. Bring them to the back office; even on this
12 one, I don't said this is not our back
13 office, but this address here completely give
14 me a confuse.

15 Q. I'd like to focus your attention on the
16 icons.

17 A. Okay, sure.

18 Q. In the third row, second column, there's an
19 icon, correct?

20 A. Yes.

21 Q. Which icon is that?

22 A. Best Western.

23 Q. And is there a logo within the icon?

24 A. Best West logo.

1 Q. And what's Best Western?

2 A. Best West logo that was Ympactus. Ympact set
3 up agreement with company called Incortel.
4 This company Incortel went to Ympactus say,
5 okay, I have agreement with Best Western so
6 we can build a beautiful -- for you guys
7 because the World Cup, the --

8 MR. BERTHIAUME: Olympics.

9 A. Olympus, okay, and what happened there, in 11
10 years you guys, Ympactus, can make double the
11 money and you -- and not make only double the
12 money, but you keep the business. Incortel
13 would usually do sell shares for a lot of
14 customers, that's Incortel, that's what they
15 do.

16 (BY MR. LEONE)

17 Q. Can you spell that, please?

18 A. Incortel, that's I-N-C-O-R-T-E-L, okay? And
19 what they'd say, okay, you -- Ympactus's
20 money, it's about 31 million and we use about
21 \$16 million that time, you invest this money
22 back and I guarantee to you in 11 years
23 you'll make the double money, okay, and you
24 have the build. And Ympact like the

1 investment and invest and Incortel
2 supposed -- Ympactus say okay, I'm not going
3 to sell anything, I keep all the rooms
4 because I want a Best West for the Olympus,
5 everything, and keep 11 years, okay, you
6 don't have to set up; Incortel give two
7 choice for us: I can sell everything for you
8 guys and you guys make a 60 million Rio,
9 okay, before 11 years, or you can go ahead,
10 keep the rooms because already contract with
11 Best West, you know, and do that for 11 years
12 and you have the building, you guys can do
13 whatever you want after 11 years. And I --
14 and Ympact say okay, let's keep it up for 11
15 years and we make our decision later what we
16 do with the build. But if you said to me we
17 make double money, it's a good investment,
18 Ympactus' investment. But this is nothing,
19 already put in here, nothing about TelexFREE
20 International inside West, that's Ympact will
21 make their decision to do that.

22 Q. This TelexFREE Tijuca icon, would that appear
23 in a U.S.-based promoter's back office?

24 A. They appear. What they tried to do, you

1 know, Ympactus put it right there. First of
2 all, Ympact want put the name in TelexFREE
3 and we say okay, no problem we use our name
4 in there. The good thing is they're give
5 more creditbilit for our promoters, okay,
6 TelexFREE is market-based; TelexFREE built,
7 you know, a hotel in Rio de Janeiro, this in
8 the markets is very good for us and for our
9 promoters, more credibilit, that's what they
10 tried to do. And they try -- in the meantime
11 they'd say, hey, we don't put money in our
12 pocket, okay, we invest and we create a more
13 credibilit for our company, not only in the
14 hotel but the invest their own builder and
15 all, they have their own office up there in
16 Brazil, they always try put money in
17 investment. I talk about Ympact, okay, to
18 make sure this monies don't go any pocket to
19 anybody; we always invest the money, you
20 know, for -- it's more accurate for the
21 company. It's better than stay in the bank,
22 right, if money stay in the bank nobody makes
23 money, only the banks make money. If you
24 have money invest in a property or something,

1 that's what the Ympact has done.

2 Q. So this Best Western logo was in the U.S.-
3 based promoter's back office?

4 A. Because the back office, it's international;
5 we don't have a back office for Brazil, for
6 U.S., or anyone, it's one back office, okay,
7 to show up for Ympactus in Brazil, it will
8 show up to here, to Japan, or anywhere in the
9 world.

10 Q. That icon, could you click on it?

11 A. Yes, I can.

12 Q. And where would that take you?

13 A. That take to Best Western; actually, the
14 Incortel, what the Incortel do, I think so,
15 I'm not sure. I'm not click on that, but if
16 they do, they will bring to the Incortel Web
17 site and they explain what Incortel do. This
18 icon here is only to show to all promoters in
19 Brazil, Ympact want show the company's always
20 want being accurate for TelexFREE; the
21 company's not taking money, not putting in
22 anybody's pocket. The company bringing
23 investment, that's what the icon give more
24 credibilit. If you have a company what do

1 you want to do; if you buy something, the
2 company buys something you want show to your
3 agents, right, that's what they tried to do
4 here.

5 (BY MR. O'HARA)

6 Q. Who at Ympactus made the decision to enter
7 this contract with Incortel?

8 A. Carlos Costa.

9 Q. So was it his sole decision?

10 A. Yeah, was his decision.

11 Q. And where did -- or did Ympactus have to pay
12 money to enter into this agreement with
13 Incortel?

14 A. No.

15 Q. Okay, so did they --

16 A. What do you mean, Ympact would pay any money?

17 Q. Well, did Ympactus have to invest any money
18 in order enter this deal with Incortel?

19 A. Oh, yeah, the Ympact invest 60 million Rio;
20 it's about \$8 million.

21 Q. Okay.

22 A. Fifty percent for the hotel and they
23 invest -- actually it was 10 million in Rio,
24 about \$5 million that time, and they pay like

1 1 million in Rio every month to the contract,
2 to the two years contract; that was the build
3 will be done. And TelexFREE liked that
4 because the name the hotel will be Best West
5 TelexFREE, that's will bring our brand name
6 way up; that was good for TelexFREE.

7 (BY MR. LEONE)

8 Q. When a U.S. promoter went to the back office
9 how would they know that the Best Western
10 logo didn't apply to them?

11 A. They look -- when they click that they can
12 see all the information. They can see that's
13 Incortel information, what Incortel do. They
14 can see nothing our company, but they can see
15 what the Incortel, what they build, you know,
16 in our company. They don't see any of that
17 information besides seeing Incortel there.
18 When they click there they direct those
19 agents direct to the Incortel Web site.

20 (BY MR. O'HARA)

21 Q. Okay, going back to the money that Ympactus
22 was paying under the agreement with Incortel,
23 I think you said they were paying about \$1.5
24 million a month?

1 A. No, not dollar, they pay 1 million Rio; it's
2 about \$500,000 a month, that's Ympact.

3 Q. Yeah. Where was Ympactus getting the money
4 to make those monthly payments from?

5 A. The profit they make there.

6 Q. Okay, so they were paying out of the
7 company's --

8 A. From Ympact company.

9 Q. Okay, so the company Ympactus was paying out
10 of their profits?

11 A. For the profit of what they have. Actually,
12 we have agreements we can show you guys, the
13 Ympact or something; I don't know if we bring
14 to you guys already, but we have the
15 agreement, everything, we can make sure
16 translator there for you guys or you guys can
17 see how the deal was done, okay?

18 (BY MR. LEONE)

19 Q. Have you ever had any formal association with
20 Ympactus?

21 A. What do you mean, sorry?

22 Q. Are you an owner of Ympactus?

23 A. I am?

24 Q. Are you?

1 A. Yeah, I was part of that Ympact; when we done
2 in Brazil I was part of Ympact.

3 Q. What was your ownership interest?

4 A. It was about 30 percent; actually, I was
5 30 -- sorry, 40 percent me, 40 percent Carlos
6 Costa, and 20 percent Jim Merrill.

7 Q. Percentage -- go ahead.

8 A. Ympact in Brazil, yes.

9 Q. Were those percentages always --

10 A. Always.

11 Q. Is Ympactus still operating today?

12 A. No, because they were shut down by Brazil in
13 June 2013. I hopefully by next month we be
14 start operate again. We work hard to get
15 that done because they don't give any chance
16 for us like you guys do today. They went
17 there, shut us down to try investigate us
18 after that, that's what happen in Brazil and
19 I think they don't -- they can't do anything
20 anymore because we just said to them hey, two
21 option here, let's give the money back to all
22 our promoter because we have enough money to
23 give everybody money back and the result I
24 don't think they can do anything anymore;

1 they have to give the money back or
2 something.

3 Q. Ympactus uses TelexFREE brand name in
4 Brazil?

5 A. Exactly.

6 Q. Or used to use it, correct?

7 A. Yeah, the brand name, that's what they use.

8 Q. Was there an agreement between Ympactus and
9 TelexFREE Inc. to use the name?

10 A. Yes, we do.

11 Q. And who entered into that agreement?

12 A. Carlos Costa times the company here, like
13 Ympactus times to TelexFREE International; we
14 have two different agreement, like one
15 agreement with the both company.

16 Q. Could you describe those agreements?

17 A. I cannot, but I can give to you guys, that's
18 better.

19 Q. Did Carlos pay any money to TelexFREE to use
20 the logo?

21 A. Nope.

22 Q. So Carlos was able to use the Telex -- Carlos
23 Costa was able to use the TelexFREE logo
24 without doing anything?

1 A. Because we done that together, he's was the
2 position with the marketplace, I'm the
3 position of the techno, like --

4 MR. BERTHIAUME: Technology?

5 A. Yeah, exactly, and Jim, you know, it's more
6 about vendors or something. Then we start
7 from scratch, you know, TelexFREE was not
8 built before, you know, like I talk about
9 TelexFREE, you know, when we start from the
10 scratch, I know we already have a product or
11 something, but because Carlos Costa already
12 was in Diskavontade and I want bring him and
13 I know he's a hard work, okay, we never ask
14 him a money to do anything. You come our
15 partner, you know, we do this together from
16 the scratch and I think it was fair enough.

17 (BY MR. LEONE)

18 Q. Now that Ympactus is, as you say, shut down,
19 what happened to the Best Western contract?

20 A. Still there because what happened, they stop,
21 okay, the Best West is still a contract but
22 we don't know when we're going to finish,
23 okay. We still -- couple things still
24 negotiated because Incortel -- actually, I

1 went to Brazil a week ago, Incortel have a
2 very good idea come to the government and say
3 okay, TelexFREE already pay 50 percent, not
4 TelexFREE, Ympact's already paid 50 percent
5 of the deal, okay, and then Incortel say
6 okay, let's do this, I want pay another 50
7 percent and finish, okay, and I hope they
8 will accept and they say okay, Ympactus still
9 own 50 percent and we're going to finish the
10 build and Incortel would own 50 percent, you
11 know, and nobody lose money because it
12 stopped, you know, we want this deal done by
13 the Olympus.

14 MR. BERTHIAUME: Olympics.

15 A. Olympics, yeah, and we about 99 percent this
16 will happen and it will be build.

17 (BY MR. O'HARA)

18 Q. Just one other question on Ympactus, I think
19 you said a few minutes ago that you think
20 Ympactus will be operating again in Brazil in
21 about a month?

22 A. Yeah, because I think because I don't think
23 they have a -- first of all, we give
24 opportunity to them before -- I don't

1 think -- the news all over now against Acre,
2 that's what the one state only shot down --

3 MR. BERTHIAUME: Acre, A-C-R-E?

4 A. Yeah, that's the only state, it's a -- you
5 know, make decision and shot Ympactus down,
6 okay. And three months ago we offer Acre to
7 give money back to all our promoter, okay, we
8 have about 600 million in Rios, about \$300
9 million, you know, there's already money
10 there, it's about \$350 million, you know, is
11 already there to -- we can pay off the
12 promoter. We found out to give money the
13 money back to our promoters, about 280
14 million Rio, see, we have about almost 700
15 million with them, if we want to give the
16 money back for every one, you know, like
17 bought all those package, let's say 13.75 or
18 whatever, if someone bought those package and
19 not have a chance to sell those package,
20 okay, we want to pay the different or
21 everything they don't sold because the
22 company was shut down. And two or three
23 months ago we went and said to them -- we
24 always try fight to keep our company, nothing

1 wrong, they cannot find anything wrong, you
2 know, we bring the best people we know, no --
3 and figure out we have about 90,000 page, you
4 know, just prove everything's okay there, and
5 we were so tired and we say -- and me and
6 Carlos Costa just think about, you know what,
7 let's do this; if we give all the money back
8 to our promoter, now what we prove, we prove
9 nothing wrong, right, we can give the money
10 back, right, that's what they try accuse us
11 like a Ponzi, okay, if we -- we cannot give
12 the money back if we're a Ponzi 'cuz -- you
13 understand? Then let's do this, let's be
14 smart, let's say to them we want give the
15 money back for whatever people not get the
16 whole money not sold the package. And we
17 make the agreement, we send to Acre, okay,
18 and they're back to us, they said okay, I
19 want you guys give the money back, but I want
20 you guys give the full money back since they
21 started. Said what do you mean full, if
22 somebody already sold those package, okay,
23 why I need to give money back to someone
24 who's already sold those package, you know,

1 it's not make sense. Okay, we want to give
2 money back to whatever who's not sold the
3 package and this go to the news, everything,
4 a lot of pressure with them, we want give the
5 money back, okay. Actually, a big magazine
6 in Sao Paulo last week, actually, I think I
7 still have it, they come on a page there and
8 say Ympact want to give the money back and
9 they don't want to give the money back and
10 because a lot of -- now the news against the
11 Acre, I don't think they have a choice, give
12 the money back to the people, that's what we
13 want. And I hope if by the next month
14 everything -- money is back to the promoter,
15 we prove we're okay, we can open Brazil again
16 'cuz that will be big prove we okay.

17 (BY MR. O'HARA)

18 Q. You referenced I think a figure of like \$700
19 million --

20 A. About 700 million Rio.

21 Q. Rio, okay.

22 A. It's 350 million; it's only 280 million to
23 give all the money back to Brazil.

24 MR. BERTHIAUME: 280 million Rio?

1 A. Rio; it's about 100-something-million-
2 dollars.

3 (BY MR. O'HARA)

4 Q. Now, does Ympactus have 700 million Rio in
5 bank accounts in --

6 A. No, froze with the government.

7 Q. But are they in accounts in Brazil?

8 A. They're in the account, a government account.
9 They take from our bank and put in some
10 government account.

11 Q. Okay, so Ympactus has frozen 700 million Rios
12 in --

13 A. 700 million Rios.

14 Q. -- Brazil?

15 A. Exactly. We have enough to send back and we
16 have enough to -- you know, but I don't
17 think -- I hope -- that's my country, you
18 know, I hope -- that's not the way I don't
19 want to think about; I hope they will give
20 the money back, whatever, you know, and
21 unfroze and know that was big mistake.

22 MR. BERTHIAUME: Big mistake that?

23 A. It was big mistake that froze us in June
24 2013, don't give no chance; that's why I love

1 America, you know, because you guys work
2 together, you want find out from us, what's
3 the company do, what's happening, not go
4 there and kill the company first, then start
5 find out what the company but after; that's a
6 big different here and in Brazil, that's why
7 I know I love living here 'cuz I can see if
8 there's something wrong I know you guys go
9 there and shut down, but you guys know if not
10 anything wrong then we keep the business,
11 right, that's different in Brazil, lot of
12 politica. I thought because we have a great
13 product -- a lot of things I think, you know,
14 why we were shut down, because we save people
15 money, you know, a lot of people join
16 TelexFREE99 because I don't know if you guys
17 know, but Brazil was the big expense money
18 people inside to call to cell phone, you
19 know, it's about 80 cents a minute to call
20 inside -- mobile to mobile inside Brazil and
21 we can sell that to 2 cents a minute from
22 U.S. and the VoIP connection, you know, that
23 what can be bigger one; in another way we
24 found out Acre, that state owe about 480

1 million Rio, you know, and almost that state,
2 but either way I don't want guess, I hope
3 they give money back for our promoters. I
4 don't say it -- I can't say anything, you
5 know, to -- sooner or later there's something
6 come, you know, and everyone will know about.

7 (BY MR. NEELON)

8 Q. Is Ympactus able to operate in other states
9 or because it's been shut down in Acre --

10 A. They shut down whole Brazil, you know,
11 they're not supposed to do that because only
12 state Acre, that's the first mistake they
13 done, they shut down whole Brazil, not -- and
14 another thing, why they shut down for the
15 customer. We have thousand and thousand of
16 customer use the product, why they don't
17 keep; our customer paid the 49.90, you know,
18 and shut down the agent program only. No,
19 they don't give no opportunity to us to keep
20 the business, you know, we ask for can our
21 customer continue pay our company, we need
22 that, right, to survive. And I thought of
23 something, probably they'll win if we don't
24 have a company inside U.S and pay our lawyers

1 up there because that's what we did, you
2 know, we -- from our company in U.S. we paid
3 the lawyers up there till we survive because
4 in another way we got killed, we cannot
5 survive. How will we survive if everything's
6 froze, you know, we cannot pay lawyer, we
7 cannot do anything, okay, but thanks God we
8 not only Brazil, we around the world and we
9 can continue do business. That's what
10 happened, that's the truth.

11 MR. LEONE: All right, why don't we
12 collect Exhibit 1. The time is 12:48, why
13 don't we go off the record here.

14 (Whereupon, the parties go off the
15 record.)

16 MR. LEONE: All right, the time is now
17 1:45 and we are now back on the record.

18 (BY MR. LEONE)

19 Q. Mr. Wanzeler, what can you tell me about the
20 corporate structure of TelexFREE?

21 A. TelexFREE corporate structure, we talk about
22 what the company is?

23 Q. Sure, why don't we start there.

24 A. Yeah, we have a TelexFREE LLC in Nevada and

1 we have a TelexFREE Inc. and we have a
2 TelexFREE International we never use 'cuz
3 everything comes to LLC and the Inc. and we
4 have Ympactus in Brazil, that's construction.

5 Q. Do you have an ownership interest in any of
6 those entities?

7 A. Every one.

8 Q. Starting with the LLC, what is your ownership
9 interest in the LLC?

10 A. Same, 40.

11 Q. And the incorporated entity?

12 A. Same thing.

13 Q. And the international entity?

14 A. Same thing.

15 Q. And Ympactus?

16 A. Yep, all keep the same.

17 Q. Has your ownership interest always been 40
18 percent in those entities or has it changed
19 over time?

20 A. I think just Nevada I have a 50-50 with Jim
21 because Carlos Costa is no not here and one
22 was Carlos Costa before was Nevada; I don't
23 remember. I think it's 50-50 here in the
24 U.S. and 40 in Brazil in the Ympactus. Sorry

1 about the confuse.

2 Q. Other than Carlos Costa and Jim Merrill that
3 you've mentioned, does any other person own
4 any other type of ownership interest in any
5 of the TelexFREE entities?

6 A. Nothing, just me, him, and Carlos Costa.

7 Q. Has any TelexFREE entity employed the
8 services of any financial professional?

9 A. No, not that I know. What do you mean, can
10 you be more clear?

11 Q. Do you have either -- for example, an
12 accountant?

13 A. Yeah, we have Joe Graft.

14 MR. BERTHIAUME: It's Craft, C-R-A-F-T.

15 A. Joe is J-O-E, Craft, if you can help me
16 spell.

17 MR. BERTHIAUME: I just did.

18 A. Okay, he's the accountant.

19 (BY MR. LEONE)

20 Q. He's the accountant for which entities?

21 A. For TelexFREE LLC and TelexFREE Inc.

22 Q. And how long has he been the accountant for
23 those two entities?

24 A. A year and a half, something like that; since

1 we started in the U.S., you know, because we
2 start in the U.S. I think after July 2013,
3 that's how we started grow in the U.S. and I
4 think since then he started work with us.

5 Q. Did you have an accountant before Joe Craft?

6 A. No.

7 Q. Who did the accounting for the entity before
8 Joe Craft?

9 A. Always Joe Craft. He's done 2012 and he's
10 done 2013.

11 Q. Any other financial professionals that you
12 can think of?

13 A. Nope.

14 Q. Does any TelexFREE entity produce a balance
15 sheet on an annual basis?

16 A. All two do balance sheet, Inc. and LLC.

17 Q. The Inc. and the LLC produce balance sheets?

18 A. Yep.

19 Q. Currently who is responsible for compiling
20 the incorporated entity's balance sheets?

21 A. Joe.

22 Q. Currently who is responsible for compiling
23 the LLC's balance sheet?

24 A. Joe, too.

1 Q. Has anyone ever -- has anyone else ever been
2 responsible for compiling the balance sheets
3 of the Inc. or the LLC?

4 MR. BERTHIAUME: When you say
5 responsible, do you mean participate in or
6 primarily responsible, I mean there are
7 just --

8 MR. LEONE: Sure, let me try to clarify.

9 (BY MR. LEONE)

10 Q. The incorporated entity, has that produced a
11 balance sheet for 2012 and 2013?

12 A. Yes.

13 Q. And has a balance sheet been compiled for the
14 LLC in 2012 and 2013?

15 A. Yes.

16 Q. Has Joe Craft compiled the balance sheet for
17 the incorporated entity in 2012 and 2013?

18 A. Yes.

19 Q. And has Joe Craft compiled the balance sheet
20 for the LLC in 2012 and 2013?

21 A. Yes.

22 Q. Is anybody responsible for reviewing the work
23 of Joe Craft?

24 A. Yes, it's Andrea, it's one I employ in the

1 office; she's the one do the QuickBooks and
2 work with Joe Craft do all the numbers.

3 Q. What's Andrea's -- could you spell Andrea's
4 name for the record?

5 A. Andrea is A-N-D-R-E-A, her last name is very
6 complicated, it's Biach, B-I-A-C-H, I think,
7 I guess, okay, I'm not -- 'cuz it's very hard
8 name. She's the one do the QuickBooks in our
9 office and Joe Craft do all the bookkeeper,
10 you know, and do the tax, everything. She's
11 the one like make the payment and receive
12 payment.

13 Q. And is Andrea an employee of --

14 A. TelexFREE.

15 Q. Any specific entity within TelexFREE?

16 A. She is finance department.

17 Q. Who does Andrea report to?

18 A. To Joe Craft.

19 Q. Is Joe Craft an employee?

20 A. No, he's just an accountant, CPA accountant.

21 Q. Does anybody supervise Andrea's work?

22 A. Joe Craft; like Andrea just ent the numbers.

23 MR. BERTHIAUME: Enter the numbers?

24 A. Yeah, and Joe Craft review the numbers and do

1 the tax or whatever. Actually, we have
2 another company now because the size our
3 company, Waterhouse Company; it was a big
4 company.

5 MR. BERTHIAUME: Price Waterhouse?

6 A. Price Water because we get large and we need
7 them, now we have Price Water review what Joe
8 Craft do.

9 (BY MR. LEONE)

10 Q. Have you ever reviewed balance sheets for the
11 incorporated entity?

12 A. A couple because that's not my department,
13 you know, Jim actually is a little more aware
14 than me on the QuickBooks or something. I'm
15 more on technology, like make sure the phones
16 work and Jim is work more with Andrea and Joe
17 with the accounts or something like that.
18 But, yeah, of course I keep track with them,
19 see how our company is doing.

20 Q. And do you review the -- have you ever
21 reviewed the balance sheets for the LLC?

22 A. I did; quickly, but I did.

23 Q. Have you ever identified errors in either of
24 the balance sheets?

1 A. No.

2 Q. Do any TelexFREE entities produce a profit
3 and loss statement on an annual basis?

4 A. Yes.

5 Q. Which entities?

6 A. Both TelexFREE LLC and TelexFREE Inc.

7 Q. And who is primarily responsible for
8 compiling TelexFREE Inc.'s profit and loss
9 statement?

10 A. Joe Craft.

11 Q. And the LLC?

12 A. Joe Craft.

13 Q. And has that always been the way it's worked?

14 A. Always the way it work.

15 Q. Does Andrea also assist Joe in the --

16 A. Yes.

17 Q. And have you ever reviewed the profit and
18 loss statement for either the incorporated
19 entity or the LLC?

20 A. Yes, I did.

21 MR. LEONE: I would like to introduce a
22 one-page exhibit titled TelexFREE LLC Profit
23 and Loss with a Bates stamp T-F dash M-S-D
24 0000011.

1 THE WITNESS: Okay.

2 (Whereupon, Exhibit No. 2, TelexFREE LLC
3 Profit and Loss 2012, was marked for
4 identification.)

5 MR. LEONE: Mr. Wanzeler, if you could
6 just take a moment to review that, please.

7 (Witness views document.)

8 THE WITNESS: Okay, again, that's not my
9 area, but I can try helping, question me if I
10 can respond.

11 (BY MR. LEONE)

12 Q. Okay, so let's start with have you had a
13 chance to review the exhibit, Exhibit 2?

14 A. Yeah, I did.

15 Q. Can you just generally describe the exhibit?

16 A. What I think, what I understand here, income
17 paid through the bank 2 million 445 thous.

18 MR. BERTHIAUME: He's not asking you to
19 go through specific items. Do you recognize
20 it to be profit and loss statement for
21 TelexFREE LLC for 2012?

22 A. I recognize that, yep.

23 (BY MR. LEONE)

24 Q. And is there a date range that's listed here?

1 A. I think January to December 2012.

2 Q. And towards the bottom of the Exhibit 2 is
3 there a date listed there?

4 A. February 25, 2014, that's what -- I think
5 that's when they print this page.

6 Q. And are there words that follow the date?

7 A. Cash base.

8 Q. What's your understanding of cash basis?

9 A. That's what left to the company. I'm
10 sorry --

11 MR. BERTHIAUME: If you know.

12 A. I don't know, okay, I'm not very like good
13 with the...

14 (BY MR. LEONE)

15 Q. Mr. Wanzeler, as we move forward, all the
16 questions I'm going to ask are going to be on
17 an if-you-know basis; if you don't know, tell
18 me you don't know.

19 A. Okay. I don't know.

20 Q. Have you seen this document before?

21 A. I think I remember seeing something 'cuz I
22 think we sent to you guys and they send to me
23 to review.

24 Q. Who sent it to you to review?

1 A. No, like when we do the subpoenas, the
2 documentation, and they send me to review,
3 you know, to answer the question for
4 subpoenas and I see this document.

5 Q. Okay.

6 A. But this is -- again this went more to Jim
7 and Joe because they understand better than
8 me.

9 Q. Who is primarily responsible for compiling
10 the data that's on this Exhibit 2?

11 A. Jim Merrill, Joe, and Andrea.

12 Q. Do you see a line item that reads income from
13 Ympactus?

14 A. Yes.

15 Q. And is there an amount or figure that's
16 listed to the right of that?

17 A. 11,000,869, that's what I see here, yep.

18 Q. The word Ympactus, do you know what that's
19 referring to?

20 A. Just one thing I know, no money come from
21 Ympactus to U.S., never come. I know
22 Ympactus owe some money but I don't know how
23 much. Okay, again, I don't know what this
24 about, but I know Ympact owns some money but

1 never --

2 MR. BERTHIAUME: Ympact owes some money?

3 A. Yeah, Ympact, I think Ympact owes from about
4 2012, 2013 it's about 200-and-some-thousand
5 dollars, \$200 million, something like that,
6 200-something; I don't remember because I
7 remember when Joe show it to me, that's what
8 Ympact supposed send to our company to pay
9 termination, all those customer use up there,
10 that was never sent because they close up
11 there.

12 (BY MR. LEONE)

13 Q. And so the record is clear, the figure to the
14 right of Ympactus, could you state that
15 fully, please?

16 A. 11,869,444.93.

17 MR. BERTHIAUME: Ninety-three cents.

18 A. Yeah, you want I do it again?

19 (BY MR. LEONE)

20 Q. No, that's fine. Do you know what that
21 number represents?

22 A That represent the amount termination with
23 the customer use in Brazil.

24 (BY MR. O'HARA)

1 Q. What do you mean when you use -- phrase
2 "amount termination"?

3 A. Yeah, because we use TelexFREE99 Brazil,
4 they're supposed to pay TelexFREE
5 International for what they use; they never
6 send, they never pay what the customer use
7 because every termination, everything, it's
8 paid by U.S., it's not up there. What I --
9 when the contract between Ympact and
10 TelexFREE, I think Ympact make a 10 percent
11 commission with everything happen with -- I
12 not remember for sure, but I think that's
13 what it is. But they never send any money to
14 here. I think this is correct.

15 (BY MR. LEONE)

16 Q. Do you see a line item later on down on the
17 sheet under expenses that reads agent
18 commission paid through system; do you see
19 that?

20 A. Yeah, I see that.

21 Q. What does that mean?

22 A. That I think is as the agent we pay a
23 commission inside U.S. and international, not
24 Brazil; this does not include Brazil.

1 Q. What does the word system mean?

2 A. Oh, through the system, that mean the agent
3 pay commission inside the syst, it's like
4 instead they'll request the money, they pay
5 inside the system to new customer like I
6 explained this morning or new agent come
7 aboard, new promoter come aboard, instead
8 somebody pay with a credit card, they pay
9 inside the system, we call like a bones,
10 that's what we call on our system. Like the
11 monies never come from credit card or any
12 bank account, everything was paid inside
13 TelexFREE system. The money went inside
14 TelexFREE system and paid invoice inside
15 TelexFREE system.

16 Q. Is that considered to be an expense of the
17 company?

18 A. Oh, yes, because we have to declare that,
19 that's money come to the company and money
20 pay out and we have to send 1099, everything,
21 that's what the -- that's what's supposed to
22 be done.

23 (BY MR. O'HARA)

24 Q. So you send a 1099 to a rep even if they

1 don't take money out of their --

2 A. Oh, yeah, I have to send 1099 for every month
3 they seat inside our company; does not matter
4 if it come to our bank or it stay inside the
5 system and we pay all the tax.

6 (BY MR. LEONE)

7 Q. When you say it's all within the system, who
8 controls that system?

9 A. It's automatic control by our program.

10 Q. But TelexFREE's program?

11 A. TelexFREE program.

12 Q. And who calculates the commissions?

13 A. The system; it's automatic on the system,
14 calculate the commission; everything is
15 there, it's automatic. We cannot do, it's
16 millions of people. The sister have to be a
17 good sister to calculate it well.

18 Q. The system, right?

19 A. Yeah, the system.

20 (BY MR. O'HARA)

21 Q. For all of the money that hasn't been taken
22 out, I guess that's in the back of office of
23 a representative of TelexFREE, that's
24 essentially the amount they've earned in

1 dollars, right?

2 A. Yes.

3 Q. Okay, U.S. dollars?

4 A. U.S. dollars.

5 Q. For all those individuals that haven't taken
6 their money out of Telex, is that back office
7 money, is there a bank account of TelexFREE
8 somewhere?

9 A. It's like they have a bank account inside his
10 back office; like I said before, they can
11 request the money and we pay through the bank
12 or if they be able to pay invoice inside our
13 system for another promoter come on board or
14 for a customer or anything they want, they
15 can pay invoice inside our system, but that's
16 the money they won by commission, residual,
17 and that's why I have to say I have to
18 declare that money, not only the money go to
19 the bank, but the money they earn for our
20 system.

21 Q. Okay. But when an agent is paid by TelexFREE
22 but it's, you know, credited to their back
23 office account --

24 A. Yeah, let's say if the agent sold 100

1 TelexFREE99, he make \$4,990, okay, and that
2 \$4,990 appear on his back office, okay, he
3 have that money; the agent can request that
4 money or the agent can go ahead and say, " I
5 want to come aboard like association. I want
6 to pay \$149." They say, "Okay, I have money
7 here in my back office, give them the cash
8 and I pay here in my back office."

9 Q. Yeah.

10 A. Okay, and they pay the money in the back
11 office. Or like a customer come on board and
12 say, "Okay, I want to use TelexFREE99 but I
13 don't have a credit card." And he's go ahead
14 and say, "Okay, I have money here, I have
15 \$4,990 and, okay, I can pay your invoice here
16 inside the back office." Like I said, just
17 try explain to you, all this money for our
18 company does not matter, it looks like a bank
19 account; I want -- the company wants to
20 declare everything because either inside our
21 system or outside our system come to the
22 bank; that's why you see here paid inside the
23 system; some companies don't do that, some
24 companies think about, okay, this is inside

1 the sys why we got to show up to the tax, but
2 we want show to the tax. We want to pay all
3 the tax we -- the money coming or come out,
4 doesn't matter if it come from bank or come
5 or paid by inside our system.

6 Q. Yeah, I think I understand that clearly now.
7 So when TelexFREE credits an agent's back
8 office does it set actual money aside
9 somewhere else in case the agent wants to --

10 A. Yeah, that's their money.

11 Q. That's their money?

12 A. Yeah, they see the residual income inside the
13 sys, they can do whatever they want; pay
14 invoice, request money, or whatever they
15 want.

16 Q. Yeah, but I'm wondering, I just want to know,
17 I mean how did that -- I mean does TelexFREE
18 then set money, actual dollars aside in some
19 other bank account?

20 A. It's like a bank account, you know, the bank
21 statement, every time you sell something we
22 place a commission or residual on the bank
23 statement; every time you pay something you
24 see on the bank statement minus you paid the

1 invoice or what you paid. It's like same as
2 a bank statement, like you use your credit
3 card, like this is a virtual payment but it
4 looks like when you use your credit card you
5 look on the bank statement you can see how
6 much you have there, how much you pay, and
7 all that's the same thing.

8 Q. Okay.

9 (BY MR. LEONE)

10 Q. Further down on Exhibit 2 there's the word
11 refund, do you see that?

12 A. Mm-hm.

13 Q. What does that word reference?

14 A. Refund, okay, that's when the agent not
15 happy, you know, with our service we give --
16 anytime they want they can ask for the money
17 back. And some agent, like \$23,000, you
18 know, they say, okay, I want my money back
19 and the company just give the money back.
20 The company only want keep a happy agent,
21 promoter. Anytime -- in my company procedure
22 anytime they want the money back we give to
23 them.

24 Q. Under refund there are four subcategories; is

1 that right?

2 A. Mm-hm.

3 Q. One of them reads charged twice; what does
4 that mean?

5 A. That's one we have an error in our system,
6 sometime they click it twice on the same
7 invoice and they charge twice for the same
8 invoice and then we found that; actual most
9 time we found that, you know, just refund
10 back to the customer.

11 Q. And below charged twice there's the word
12 fraud, right?

13 A. Yep.

14 Q. What does that reference?

15 A. That's somebody else use a different credit
16 card, somebody else's credit card and try pay
17 inside our system; we found out and we refund
18 the money and we just cancel that call.

19 Q. That's credit card, right?

20 A. Credit card, yep.

21 Q. Going back to the top of those four words, it
22 says chargebacks; do you see that?

23 A. Yes.

24 Q. What does that word mean?

1 A. Most it's the same thing; sometime we don't
2 have a chance to find out, you know, somebody
3 else see -- use different credit card,
4 somebody else don't know about and they make
5 a chargeback to our company. A lot of time
6 we found out we give the money back and
7 sometime we cannot. We have a couple
8 problems before but we try -- we fix our
9 system, ask for documentation, and prevent
10 that happening. Now, we work with iPayout
11 and just say our best customer in the three
12 months and oh, we only have about two or
13 three chargeback, you know. Talk about right
14 now, we pretty good shape right now, but we
15 work so hard before to try and get to the
16 point we are today.

17 Q. You mentioned a couple of problems back in
18 the past, what --

19 A. Yes, because people -- our sys does not ask
20 for documentation for credit card. Now, when
21 we moved to iPayout, they very restrict on
22 documentation. When somebody pay with a
23 credit card they ask photo ID or something.
24 We don't have that in our system before, you

1 know, and when we move to iPayout, you know,
2 everything was resolved. Thanks God they
3 have very restrict and our chargeback went
4 way down.

5 Q. That's strict, right?

6 A. Right, yep.

7 MR. LEONE: You can keep that exhibit in
8 front of you.

9 THE WITNESS: No problem.

10 MR. LEONE: I'd like to introduce a two-
11 page exhibit with the heading TelexFREE LLC
12 Profit and Loss January through December 2013
13 and there is a Bate stamp
14 T-F dash M-S-D 0000004.

15 (Whereupon, Exhibit No. 3, TelexFREE LLC
16 Profit and Loss 2013, was marked for
17 identification.)

18 MR. LEONE: Mr. Wanzeler, if you can
19 take a moment to review that, please.

20 THE WITNESS: Yes.

21 (Witness views document.)

22 THE WITNESS: Okay, I am okay.

23 (BY MR. LEONE)

24 Q. Mr. Wanzeler, have you had a chance to review

1 Exhibit 3?

2 A. Yeah, I do.

3 Q. Do you recognize Exhibit 3?

4 A. I do.

5 Q. Have you seen Exhibit 3 before?

6 A. Yeah, I do.

7 Q. Could you generally describe Exhibit 3?

8 A. It's almost the same thing on the last one we
9 look, the same 2012, but this January to
10 December 2013 and what quest you have here
11 for this one I can answer for you?

12 Q. Okay, as with the Exhibit No. 2, is there a
13 date printed at the bottom of page 2?

14 MR. BERTHIAUME: Next page.

15 A. Yeah, February 25th of 2014.

16 (BY MR. LEONE)

17 Q. And is there the same text, cash --

18 A. Cash base. Actually, now I start understand
19 more on cash base.

20 Q. It's cash basis, right?

21 A. Cash basis, yep.

22 Q. Who's primarily responsible for compiling the
23 information contained on Exhibit 3?

24 A. Joe Craft.

1 Q. Did you review this data before it was
2 finalized?

3 A. Yes, I did.

4 Q. Do you see a line item which reads income
5 from Ympactus?

6 A. Yes, I do.

7 Q. Is this the same Ympactus that's listed on
8 the January to December 2012 profit and loss?

9 A. That's correct; that's the money we suppose
10 receive by Ympact we never receive.

11 (BY MR. NEELON)

12 Q. So you never received that income?

13 A. No. Actually, if you go a little down below,
14 bad debts, that's 1,086 or something, that's
15 why they never pay us.

16 (BY MR. LEONE)

17 Q. Bad debts?

18 A. Yep.

19 MR. BERTHIAUME: 186 million.

20 A. Yep, 186 because I think they put 11 million
21 from the first one and 174 for the second
22 one; that's what I think I understand here.

23 (BY MR. LEONE)

24 Q. What's your understanding of the word bad

1 debts?

2 A. I think it's something we never receive,
3 that's what that mean in English.

4 Q. And how do you know that Ympactus is
5 responsible for those bad debts?

6 A. Because that's the amount that Ympact suppose
7 send to us by the agreement we have with
8 them.

9 (BY MR. NEELON)

10 Q. And you testified that that represented
11 termination costs?

12 A. Termination costs or the amount -- we talk
13 about the amounts, some setup fees, they only
14 make 10 percent; the \$50 set-up fee, they
15 make only 10 percent, the rest have to come
16 to TelexFREE99. By the way, I think this --
17 we need to review the contract and you guys
18 will understand a little more, but that's I
19 thought about a 180/190 million dollars.

20 Q. So I think you also testified that Ympactus
21 was shut down in June of 2013?

22 A. Yes.

23 Q. So for the first six months of 2013 Ympactus
24 owned 174,183,644.66 to TelexFREE?

1 A. Yes.

2 Q. That represents six months' worth?

3 A. That's correct. We never worried about
4 because we thought this is never going to
5 happen in Brazil, you know why ask for big
6 money, you know, to U.S., you know, to the
7 same owner, we say, jeez, leave the money
8 there if we don't need. We never bring \$1
9 from Brazil to here.

10 (BY MR. LEONE)

11 Q. Staying with Exhibit 3, which is the 2013
12 profit and loss for TelexFREE LLC, do you see
13 line item which reads payroll expenses?

14 A. Do you see that? Second page?

15 Q. Why don't we direct you to the first page
16 down towards the bottom.

17 A. Okay.

18 Q. Do you see the word payroll expenses or the
19 words payroll expenses?

20 A. Yep, payroll reimburse expense, that's what I
21 see some number.

22 Q. And are there categories that go into payroll
23 expenses?

24 A. That have to be our employees.

1 Q. And is there a total payroll expenses listed
2 on the next page?

3 A. Yep, I think that's employee. The amount I
4 see here, 65 thou, I'm sure that's employees.

5 Q. And these are employees of TelexFREE LLC?

6 A. Yeah, employees TelexFREE LLC.

7 Q. How many employees did TelexFREE LLC have
8 2013?

9 A. Over 10, around 10 or whatever. I don't --
10 it's less than 10. We use a lot late as 2013
11 because we increased the company but begin
12 probably was about four or five and by the
13 end of the year, over 10; because, again,
14 most of our customer service was in Brazil.
15 It's less money to pay. We have over a
16 hundred employees in Brazil that time. Then
17 we have to increase here when Brazil was shut
18 down.

19 (BY MR. O'HARA)

20 Q. Are the employees in Brazil paid by Ympactus?

21 A. By Ympactus.

22 (BY MR. NEELON)

23 Q. So are they employed by Ympactus?

24 A. Employed by Ympactus.

1 (BY MR. LEONE)

2 Q. Are they currently being paid by Ympactus?

3 A. Not now I think 'cuz they're shut down,
4 right, they don't have employees anymore now;
5 they wait for the company open again.

6 Q. The section payroll expenses, does that also
7 appear on Exhibit 2, January through December
8 2012 for the LLC, the other exhibit?

9 A. This one here?

10 Q. For Exhibit 2, which the top reads January
11 through December 2012.

12 A. Okay, back again.

13 Q. Is there a line item for payroll expenses on
14 Exhibit 2?

15 A. I don't see it here.

16 Q. Did TelexFREE LLC have employees in 2012?

17 A. Like I say, we have all the employees by
18 Ympact in Brazil, we use them up there in
19 Brazil and we don't need to have anybody
20 here.

21 MR. BERTHIAUME: There's also Inc.

22 A. And by that time I use only Andrea here, but
23 she's was a Diskavontade employee, you know,
24 same company, it's my company, and I pay

1 through Diskavontade. We have two or three
2 employees here, but I already pay through
3 Diskavontade but when TelexFREE is grow, then
4 we put everybody on the payroll on the
5 TelexFREE because most employee work in the
6 TelexFREE, not in Diskavontade. Someone is
7 still work part time in Diskavontade and
8 someone part time in TelexFREE.

9 (BY MR. LEONE)

10 Q. Okay, and sorry to switch back and forth --

11 A. No problem.

12 Q. -- but let's go back to Exhibit 3.

13 A. No problem.

14 Q. On the second page which has Bates No. 5 on
15 it, there is a section called other expenses;
16 do you see that?

17 A. Yeah, I see.

18 Q. There is a line item which reads loss on
19 investment; is that correct?

20 A. Yep.

21 Q. And which investment is that?

22 A. I don't know, sorry. But, again, if we call
23 Joe or somebody know more better in QuickBook
24 they will tell you what they are. I don't

1 want to guess, like we talk at begin.

2 Q. But you reviewed this exhibit?

3 A. I review quick review and like the one I -- I
4 just want to know the profit of the company,
5 you know, what's the -- I just go on the last
6 line, okay, the company is make money, okay,
7 good; that's what always I done, not on
8 details. Actually, on the first time I'm
9 reviewing the details with you guys.

10 Q. And did the company make more money in 2013
11 than in 2012?

12 A. Of course, yes.

13 Q. What was the total income in 2012?

14 MR. BERTHIAUME: For LLC as opposed
15 to --

16 (BY MR. LEONE)

17 Q. For LLC.

18 A. This is LLC, I think you see here it's about
19 2 million four four five, 1 million 775,
20 that's those two. I'm not going to count
21 Ympactus because they never pay us.

22 MR. BERTHIAUME: Are you asking him the
23 net income?

24 (BY MR. LEONE)

1 Q. I'm asking for total income in 2012 for the
2 LLC.

3 A. If you see the total income was \$50 million
4 409; if you look on total income for the
5 2013, \$865 million.

6 Q. Roughly, right?

7 A. That's the numbers here.

8 MR. LEONE: I'd like to collect Exhibit
9 2 and 3, please.

10 THE WITNESS: If it's not clear, please
11 ask me again and I will respond. I just want
12 to make sure you guys get clarify.

13 MR. LEONE: I would like to introduce
14 Exhibit 4, which has the title TelexFREE Inc.
15 Profit and Loss January through December
16 2012.

17 (Whereupon, Exhibit No. 4, TelexFREE
18 Inc. Profit and Loss 2012, was marked for
19 identification.)

20 MR. LEONE: Mr. Wanzeler, if you could
21 take a moment to review this, please.

22 THE WITNESS: Sure.

23 MR. LEONE: It's a one-page exhibit.

24 THE WITNESS: Okay.

1 (Witness views document.)

2 (BY MR. LEONE)

3 Q. Mr. Wanzeler, have you had an opportunity to
4 review?

5 A. I'm ready, yep.

6 Q. Do you recognize this document?

7 A. I do.

8 Q. Have you seen this document before?

9 A. Yes, I did. Actually, there was a big
10 question here we gotta declare the tax inside
11 the system, you know, that's I recognize very
12 well and I'd say yes.

13 Q. So you've reviewed this document before?

14 A. This one, yes, I did very well.

15 Q. Who is responsible for compiling this data?

16 A. Joe Craft.

17 Q. And did you review this data after Joe Craft
18 compiled it?

19 A. I did before and after.

20 Q. The terms that are listed on the 2012
21 TelexFREE Inc. profit and loss sheet, where
22 they also exist on the TelexFREE LLC profit
23 and loss 2012 sheet are they used in the same
24 way; for example, through the system, does

1 the system mean the same thing here?

2 A. Same thing.

3 MR. BERTHIAUME: Do you know?

4 A. Yep, same thing.

5 (BY MR. LEONE)

6 Q. What was the total income for TelexFREE
7 Incorporated in 2012?

8 A. 2,834,835.07.

9 Q. And how about the net income, what was that?

10 A. Where is the net income? 477,652 and 23
11 cents.

12 Q. And is there also a gross profit listed on
13 this profit and loss sheet?

14 A. I'm not sure.

15 MR. LEONE: Thank you, Counsel.

16 A. Okay, 2,812,144 and 65 cents.

17 MR. LEONE: I would like to introduce
18 Exhibit 5, Mr. Wanzeler. Take a moment to
19 review this. It,has the heading TelexFREE
20 Inc. Profit and Loss January through December
21 2013, and if you could look up after you've
22 looked at that Exhibit 5.

23 (Whereupon, Exhibit No. 5, TelexFREE
24 Inc. Profit and Loss 2013, was marked for

1 **identification.)**

2 THE WITNESS: Okay.

3 (Witness views document.)

4 THE WITNESS: Yep, I remember this very
5 well 'cuz we paid big money on the tax this
6 year.

7 (BY MR. LEONE)

8 Q. And so, Mr. Wanzeler, have you had an
9 opportunity to review the document?

10 A. Yep.

11 Q. Have you seen this document before?

12 A. I see that before.

13 Q. Have you reviewed the information on this
14 document before?

15 A. I done.

16 Q. Who was responsible for compiling the
17 information contained on Exhibit 5?

18 A. Joe Craft.

19 Q. And did you review that information after Joe
20 Craft compiled the information?

21 A. I did.

22 Q. Could you just generally describe this?

23 A. This was the total income was at 325 million
24 dollars 126 548 and 07 cents and 56,195,709

1 and 54 was paid through the bank; 268,000,930
2 dollars and seven -- five seven 53 was paid
3 inside our system.

4 Q. You also mentioned taxes; is that right?

5 A. Yeah, we pay about -- pretty good money this
6 year, I think about \$20 million in taxes this
7 year.

8 Q. Both Exhibit 4 and Exhibit 5, those were both
9 done -- or they both contain the term cash
10 basis; is that correct, down the bottom?

11 A. Yes, I can see the name here cash base, yep.

12 Q. I'm not sure if you mentioned this, but what
13 was the total income for the incorporated
14 entity in 2013?

15 MR. BERTHIAUME: I think he read that
16 one. He read that.

17 (BY MR. LEONE)

18 Q. Could you please --

19 A. I read 325,126,548 and 07 cents.

20 Q. And does Exhibit 5 also list a gross profit?

21 A. 324,728,811 and 56 cents.

22 Q. Okay.

23 MR. LEONE: At this point I'd like to
24 collect exhibit -- Tim, go ahead.

1 MR. O'HARA: A couple of questions for
2 you, Mr. Wanzeler.

3 THE WITNESS: Sure.

4 (BY MR. O'HARA)

5 Q. On the profit and loss for all of them,
6 actually, we'll just look at the one in front
7 us for 2013, Telex Inc., the category of
8 income, can you go through the different
9 sources of income that would be included in
10 this item?

11 A. Everything.

12 Q. Okay.

13 A. Promoters, setup fee, promoter wholesale
14 package, and retail customer paid.

15 Q. Okay, and there are two income -- or two
16 categories you associated with promoters what
17 were they?

18 A. Promoters like when they pay the setup fee of
19 \$50.

20 Q. Okay, and then when they buy the --

21 A. When they buy wholesale package when they buy
22 the 10 package or the 50 package.

23 Q. Okay.

24 A. And the retail customer, that customer pay

1 49.90 a month.

2 Q. Yeah, okay so those are kind of the three --

3 A. That's all three.

4 Q. Okay, so that explains these numbers here in
5 that section.

6 A. Exactly.

7 Q. And if we look on the 2013 Telex Inc. profit
8 and loss there is a line item that says
9 income paid through system and then there's a
10 figure 216,930,757 and 53 cents; if we can
11 then look down with that figure in mind to
12 agent commission paid through system, I
13 believe it's the same figure?

14 A. Yes.

15 Q. Can you explain why those numbers are --

16 A. Yeah, because the number -- if they're paying
17 inside the sys because they make the money
18 inside the system; the same money go out, the
19 same money go in. If the agent pay, let's
20 say a hundred dollars, if he's pay with the
21 money he's make, it's same money we receive a
22 hundred dollars, same money he's pay; that
23 money is never going to be different.

24 Q. Okay, and then if the --

1 A. Make sense?

2 Q. Sure, and then just so I'm crystal clear
3 here, if an agent is paid initially through
4 the system and then they take money out of --

5 A. If he's paid --

6 Q. They turn it into cash, then it doesn't
7 change anything?

8 A. It doesn't change anything, 'cuz if he take a
9 hundred dollars from the system and pay a
10 hundred dollars, it's the same hundred dollar
11 that match.

12 Q. Okay.

13 A. Income and outcome.

14 Q. Sure, okay, thank you.

15 A. I like your question, please every question
16 you guys have I just want answer.

17 (BY MR. LEONE)

18 Q. On Exhibit 5 there's an entry for what
19 appears to be an event; do you see that?

20 A. When?

21 Q. In the middle of the page is the word event;
22 do you see that?

23 A. Yep, okay, that can be one of seminar
24 probably we done; I think Orlando, and we

1 just -- promoter pays just a small fee just
2 for help the company because we done a lot of
3 like event.

4 Q. And you had an event in Orlando?

5 A. Yeah, we have in Orlando, we have in Boston.

6 Q. How many people attended the Orlando event?

7 A. I think it was about 2,500 people there.

8 Q. How much did each of them pay to attend?

9 A. I don't remember but there's not much, just
10 for cover event; you can see here it's only
11 \$4,503.

12 Q. Did each promoter pay a fee to go to Orlando?

13 A. To the event, to get inside the event and get
14 trained, yes. But, again, I just tell the
15 true, we don't make money on those events,
16 it's only for cover, you know, do the best
17 for them.

18 Q. Two lines above event it says bonus; do you
19 see that?

20 A. Yeah, I see that.

21 Q. What does that mean?

22 MR. BERTHIAUME: If you know.

23 A. I don't know. It's not much money, but I
24 don't know. You need to ask Joe Craft.

1 (BY MR. O'HARA)

2 Q. One or maybe more than one question for you,
3 but looking on the item that says payroll
4 expense.

5 A. Okay.

6 Q. See that, I think we saw payroll expenses
7 also on the profit and losses for TelexFREE
8 LLC, too?

9 A. Mm-hm.

10 Q. Can you just explain the difference in
11 payroll for Telex LLC and Telex Inc., who's
12 on what payroll?

13 A. I will guess here, but I think payroll
14 expense, that's what you pay to employee, but
15 you need to dock the tax, payroll tax you
16 send to the government and you need to pay
17 the payroll service, I think that's what they
18 try put a line in there. Okay, this I paid
19 payroll salary a hundred thous, reimburse for
20 the 58, I just guess, yeah, but I think Joe
21 Craft will do much better job than I do here.

22 Q. Yeah, okay, I think my question, though, is
23 considering you're running the company, are
24 there certain employees that are employed or

1 paid by Telex Inc. and then certain employees
2 that are paid by Telex LLC?

3 A. I tell something, we want pay all one company
4 but we have couple problem with the banks
5 shut us down sometime we have a bank account
6 'cuz TelexFREE LLC is supposed to do all the
7 U.S., not Massachusetts. TelexFREE LLC was
8 built to save tax money if the people's not
9 inside the Massachusetts, okay, but we -- bank
10 is -- like after we have those problems in
11 Brazil, okay, bank start shot us down and
12 then we have to move and make a payroll to
13 TelexFREE LLC, move to payroll TelexFREE Inc,
14 you know, that's what happened.

15 Q. Okay, so if I'm understanding you correctly,
16 sometime in the course of 2013 it was Telex
17 Inc.'s funds that were being used to pay
18 employees --

19 A. Exactly.

20 Q. -- sometimes it was the other?

21 A. Because the banks and that's the biggest
22 problem we have today, when they hear -- like
23 I tell the true, guys, when they hear we have
24 a subpoenas here, I just lost Wells Fargo;

1 Now Wells Fargo don't want to do business
2 with us because have subpoenas today. I know
3 that's not you guys' problem, but that's what
4 happened to our company today.

5 Q. And then on this 2013 profit and loss for
6 Telex Inc., the item that says management and
7 marketing, do you see that, it's kind of
8 midway through the expenses section on page
9 1?

10 A. Yeah, I don't know what's about.

11 Q. So you don't know what kind of items are
12 included in that category?

13 A. I don't know. I need to ask Joe. We done a
14 lot of market, like special I think we
15 Botafogo; you guys heard about Botafogo,
16 TelexFREE and like a big football --

17 MR. BERTHIAUME: When you say -- what
18 was the word you used, the football word,
19 Botafogo or whatever that was; what was that?

20 THE WITNESS: Yes, it's a big team in
21 Brazil.

22 MR. BERTHIAUME: But what's it called?

23 THE WITNESS: Botafogo.

24 MR. BERTHIAUME: How do you spell that?

1 THE WITNESS: B-O-T-A-F-O-G-O.

2 A. Okay, and Botafogo do -- they go in a couple
3 of countries to play football and for us is
4 very good name because Brazilians and people
5 know about Botafogo and some money, I know --
6 I think this money, that's what it is, we pay
7 for Botafogo for the whole year up to -- by
8 the end 2014. For sure that's the money we
9 pay.

10 (BY MR. O'HARA)

11 Q. So TelexFREE paid just over \$4 million --

12 A. Four million --

13 Q. -- to Botafogo?

14 A. -- dollars just for Botafogo put our names
15 there, like on a T-shirt, whatever, play for
16 the full year.

17 Q. Is it a sponsorship?

18 A. Sponsorship, yeah. The amount, that's all
19 because we don't do any other advertisement
20 or anything besides that.

21 Q. That's the only advertising that --

22 A. That's the only one we done. Actually, we
23 want to do it here, too, get a big fan team
24 here and put our names right there 'cuz this

1 is good for our name.

2 (BY MR. LEONE)

3 Q. So is it your testimony that that is the only
4 advertising you do?

5 A. For the -- not the advertisement, that's
6 correct here, like what you just said --

7 MR. BERTHIAUME: Marketing.

8 A. Marketing, like --

9 (BY MR. O'HARA)

10 Q. Sponsor?

11 A. A sponsor; not advertise, but sponsor a
12 football team and just use our name and
13 everybody can see our name; that's a big
14 thing for us. If you go on TV advertise,
15 spend a lot of money, you'll probably spend
16 that money, you know; especially Brazilian
17 people, they're very fantasy with the
18 football, you know, they're crazed about
19 them. Most people, like Ecuador, because we
20 have -- we are all around the world, it's not
21 only U.S., not only Brazil, you know, this is
22 big for us and we got a lot of customers, a
23 lot of agents, a lot of promoters.

24 (BY MR. LEONE)

1 Q. Why is the incorporated entity sponsoring a
2 football team in Brazil?

3 A. It's not only Brazil because that team
4 have -- they go outside the country to play.
5 Actually, today -- I forget the name, but
6 they have to go outside the country and
7 play -- I forget exactly name, but I can find
8 out for you guys. They're not playing in
9 Brazil now; they play in Ecuador and they
10 play in a lot of countries.

11 Q. Do they play in the United States?

12 A. I think they plan to come here, too, but I
13 don't know yet. Botafogo is not only play
14 football in Brazil, they play all around.

15 Q. There's also a category specifically on this
16 2013 TelexFREE Inc. profit and loss with the
17 word advertising; is that right?

18 A. Where?

19 Q. Right under expenses; do you see that?

20 A. Okay, eight thous 970, I don't know about
21 that. I just need to ask Joe. It's not a
22 lot of money, either, you see 8,970, that can
23 be -- know what, that can be some magazine
24 probably put a -- something there because we

1 got a hamming about a couple of place we get
2 a hamming about people tell about things
3 about bad our company and we try explain
4 that's not it is the way to talk about; you
5 know, some magazine we have to spend to just
6 give our word that that's not what they see.
7 Not the advertise for our business, but it's
8 something we need to give, you know, because
9 think about this, if we -- somebody hammers
10 and we don't say anything it look like we,
11 you know, okay --

12 Q. Can we just stop for one -- that word you're
13 using, what's the word you're using?

14 A. Ham, like somebody punch you all the time.

15 MR. BERTHIAUME: Hammer?

16 A. Hammer, hammer, okay, somebody try punch you
17 all the time, say, hey you guys, bad, bad,
18 bad, you need to hire someone, or magazine or
19 something to say hey, they don't understand
20 our business, that's what we pay for. They
21 don't do -- believe me, newspaper, everybody,
22 they don't do anything for free; they do it
23 when they want tell bad about you. If you
24 want put something there, you have to pay for

1 them to do it. They never tell good news,
2 you know, with your company.

3 MR. LEONE: I would like to collect just
4 Exhibit 5, please

5 THE WITNESS: That's the one?

6 MR. LEONE: The two-page exhibit, yes,
7 keep Exhibit 4 out in front of you. So I'd
8 like to introduce Exhibit 6 which begins with
9 an e-mail correspondence from Mr. Merritt to
10 myself and another attorney.

11 **(Whereupon, Exhibit No. 6, E-mail, was**
12 **marked for identification.)**

13 MR. LEONE: Mr. Wanzeler, if you could
14 take a moment to review that, please.

15 THE WITNESS: Sure.

16 MR. LEONE: It's a two-page exhibit.

17 (Witness views document.)

18 THE WITNESS: Okay, I already review.

19 (BY MR. LEONE)

20 Q. Have you had a chance to review this exhibit,
21 Mr. Wanzeler?

22 A. Yes, I do.

23 Q. Do you recognize this document?

24 A. Not much, but I remember that.

1 Q. What is this document, Exhibit 6?

2 A. I think this one is a document we sent April
3 23.

4 Q. Who's we?

5 A. 2013, right?

6 Q. Right, but you used the word we, who is that?

7 A. No, the Joe Graft. Joe Graft sent it to Jim
8 Merrill and Jim Merrill sent it to you guys,
9 our lawyer, but this document, I know what
10 you're going to ask here, why is it different
11 from this one to this one or whatever,
12 because this is not done yet. When you guys
13 ask the tax was not done. This is April 23,
14 that's not the date we done our tax; our tax
15 is done in May and we correct everything in
16 May.

17 Q. All right, let's back up for a second.
18 Exhibit 6 is contained within an e-mail; is
19 that correct?

20 A. What do you mean?

21 Q. The heading on this page, is that an e-mail
22 heading at the top?

23 A. Gerry Nehra, that's our lawyer.

24 Q. Okay, so who sent this document?

1 A. I think Andrea sent this document on the
2 QuickBooks to Gerry Nehra and Gerry Nehra
3 sent to you guys.

4 Q. And so is there a to field here? Does it say
5 who this was sent to?

6 A. What do you mean, I don't understand the
7 question, I'm sorry.

8 Q. Okay, I'll try to rephrase.

9 A. Yes.

10 Q. On the upper portion of the document there's
11 a couple of different words in bold: from,
12 sent, to, subject; do you see that?

13 A. Oh, yeah, that's Gerry Nehra, that's from our
14 lawyer.

15 Q. Yes.

16 A. Sent to Greenside, Michael.

17 Q. Yes.

18 A. That's not you guys -- oh, you are on here,
19 that's you, right?

20 Q. Correct.

21 A. Subject inquire No. 3998.

22 Q. And that's inquiry, correct?

23 A. Yep, inquiry, okay.

24 Q. And is there an attachment?

1 A. Attachment in response to inquiry No. 5.

2 Q. And below there appears to be a profit and
3 loss; is that correct?

4 A. That's correct.

5 Q. For which entity?

6 A. That's TelexFREE Inc.

7 Q. And is there a date range listed?

8 A. January to December 2012.

9 Q. Is that the same header that's on top of
10 Exhibit 4?

11 A. Exactly, it is.

12 Q. If we could flip to the second page, are the
13 same words cash basis listed there?

14 A. Yes.

15 Q. And is there a date?

16 A. April 23, 2013.

17 Q. Going back to the first page --

18 A. Okay.

19 Q. -- is there a total income listed?

20 A. Okay.

21 Q. Is there one?

22 A. 1,864,939.07.

23 Q. The number that's listed for total income on
24 Exhibit 6, is that the same number that's

1 listed for total income on Exhibit 4?

2 A. It's not and I can say why.

3 Q. Why don't you tell me why there's a
4 difference between the total income?

5 A. Because this here, by the date we sent to you
6 guys, this is not done. They're not put here
7 what the income inside our system; inside our
8 syst see there 974 thous 454 dollars and 74
9 cents, that's not appear here because we
10 not -- the date we send to you they don't
11 have that information yet. What I try
12 explain here, the date they send April 23rd,
13 to you guys, this is not done to the income
14 tax. We done the income tax in May, then we
15 correct; this one is the right one.

16 Q. Why would the income tax affect total income?

17 A. No, no, because we're not put the information
18 for the 974 on the last year, but we add that
19 after we sent this to you guys. You guys ask
20 the information in 2013, April 23rd, we done
21 the tax in later June that time. What I try
22 to say here, they work in the QuickBook, they
23 still work in the QuickBook when they send
24 this information to you guys; this is not

1 complete the time they send to you. That's
2 all the respond I can say to you and that's
3 what information. The one they send on April
4 23rd, this is not done yet. They send what
5 they have on QuickBook; what happened there,
6 Andrea just went to the QuickBook, okay,
7 let's print this and send to you guys. The
8 only different you can see here was the
9 974,454 that's what they pay inside our
10 system and we found out we need declare that
11 money; we did.

12 Q. The date that this response was submitted to
13 the Division is April 23, 2013, correct?

14 A. Submit to you.

15 Q. Yes.

16 A. Exactly.

17 Q. And that is after December 2012, correct?

18 A. Exactly, that's correct. We done the tax in
19 June 2013. We done our tax after you guys
20 ask for this information; that was not done.
21 That's why I ask you guys -- we ask you guys
22 to this document because we want to explain
23 because we knew this can be wrong. Actually
24 we have e-mail from Gerry Nehra ask for this

1 document.

2 Q. Aside from total income are there other
3 figures that aren't the same between Exhibit
4 6 and Exhibit 4?

5 A. That can be because they review all this to
6 do the income tax but I don't think they'll
7 be a lot of different; can be some small
8 amount different, something, no. Actually,
9 know what, big different, the agent
10 commission, that will be different, too,
11 because in this one here they only have a
12 payment for the agent commission paid through
13 the bank and we add the payment for the
14 commission paid through the system. You can
15 see this income for the paid commission
16 increase 520 thous to 974; everything else is
17 almost the same, 17, you understand, or some
18 amount increase here they found out about,
19 you know, we pay more. You can see the 24,
20 but problems in this category, it go to some
21 other place because what I try to say here,
22 Mr. Leone, the time they sent this, this was
23 not done. This is not what the tax -- the
24 preparation for the income tax. They done

1 the tax somewhere around June.

2 Q. Did the same person produce or compile both
3 of these documents?

4 A. Same, Joe Graft.

5 Q. Joe Craft?

6 A. Joe Craft, but the time they send to you Joe
7 Craft does not review and not finish the tax
8 yet. Who's done that, Andrea sent that to
9 Gerry Nehra 'cuz we just ask for
10 documentation, you know, you guys ask in
11 April or something and she's says okay, I
12 have a QuickBook, that's not ready to do
13 that. She's just go there and print.

14 MR. BERTHIAUME: I think the one
15 question he had asked, though, was whether
16 Joe Craft had prepared the one that Gerry
17 Nehra sent from Andrea.

18 MR. LEONE: Thank you.

19 MR. BERTHIAUME: Do you know if Joe
20 Craft prepared this one?

21 THE WITNESS: I'm not sure.

22 (BY MR. LEONE)

23 Q. Was Joe Craft the accountant for TelexFREE
24 Incorporated at the time of April 23, 2013?

1 A. I think so, but I'm not sure. I can get the
2 date what he start with us, but I know he's
3 prepare the tax -- he's done the tax for 2012
4 and 2013, that's for sure, but if he's
5 done -- if he's come on my company after
6 April 23rd, I don't know, but I know he's
7 prepare the tax for us.

8 (BY MR. NEELON)

9 Q. I'm still just confused as to how the taxes
10 would affect what TelexFREE Incorporated paid
11 out as agent commissions?

12 A. Because if we increase -- we never put the
13 money -- see, they're paid through the
14 system; the paid through the system, now we
15 have to increase the number here, 974, too,
16 because that's with the increase.

17 Q. But even paid through the bank is -- see on
18 one document is \$1,131,370.87.

19 A. Hold on, where do you see this?

20 Q. If you read the line it says --

21 MR. BERTHIAUME: Are you talking about
22 income or are you talking about expenses?

23 MR. NEELON: Paid through a bank, under
24 expenses.

1 MR. BERTHIAUME: Oh, expenses.

2 MR. LEONE: For which exhibit, Bill?

3 MR. NEELON: Exhibit --

4 THE WITNESS: One million 131.

5 MR. O'HARA: The one ending in 10 in the
6 bottom right corner.

7 MR. LEONE: Exhibit 4.

8 MR. NEELON: Exhibit 4, excuse me.

9 (BY MR. NEELON)

10 Q. If you read the line for agent commission on
11 Exhibit 6, I believe.

12 A. Again, I'm not prefer this, I tell the true.
13 If I guess here, what I try said this is the
14 correct one, guaranteed to you guys. This is
15 incorrect.

16 (BY MR. O'HARA)

17 Q. Okay, so what's name of the exhibit you're
18 guaranteeing is correct?

19 A. The one here.

20 Q. Is that Exhibit 6?

21 A. Six.

22 MR. LEONE: Four.

23 (BY MR. O'HARA)

24 Q. Exhibit 4; okay.

1 A. That's the correct one, okay, because I have
2 to pay the tax with the inside the system and
3 what come of the bank, that's was our
4 decision because was big question on that
5 time, if we have to pay this inside the sys
6 or not pay inside the sys because this one
7 never went to the bank. Now then we talk
8 with the lawyers, you know, and they said no,
9 you have to --

10 MR. BERTHIAUME: Without going into what
11 potential confidential communications existed
12 with the lawyers.

13 A. This is the right one and we done this one.
14 This one here is not correct.

15 MR. BERTHIAUME: Exhibit 4 versus
16 Exhibit 6.

17 THE WITNESS: Exactly.

18 (BY MR. LEONE)

19 Q. Just so we're 100 percent clear, Exhibit 4 is
20 what you testified to be the correct profit
21 and loss for the incorporated entity for
22 2012?

23 A. This Exhibit 4, exactly, that's correct.

24 MR. LEONE: Okay, why don't we collect

1 Exhibit 4 and Exhibit 6 and why don't we take
2 a five-minute break here.

3 (Whereupon, the parties go off the
4 record.)

5 MR. LEONE: The time is now 3:08, we are
6 now back on the record. I'd like to
7 introduce Exhibit 7, which is a one-page
8 exhibit titled TelexFREE LLC balance sheet as
9 of December 31, 2012.

10 (Whereupon, Exhibit No. 7, TelexFREE LLC
11 Balance Sheet as of December 31, 2012, was
12 marked for identification.)

13 MR. LEONE: Mr. Wanzeler, could you take
14 some time to review that, please.

15 (Witness views document.)

16 THE WITNESS: I'm all right.

17 (BY MR. LEONE)

18 Q. Mr. Wanzeler, have you had a chance to review
19 this document?

20 A. Yes, I did.

21 Q. Have you seen this document before?

22 A. Yes.

23 Q. Who is responsible for compiling the data in
24 this document?

1 A. Joe Craft.

2 Q. Have you ever reviewed this document before?

3 A. Yeah, I did.

4 Q. Was that before or after Mr. Craft compiled
5 the information?

6 A. After. Again, I have to review everything
7 before we bring it to you guys, that's what I
8 did.

9 Q. Is there a section on this balance sheet
10 which describes the amount of total assets
11 for TelexFREE LLC as of December 31, 2012?

12 A. Yes, three thous 475, that's correct.

13 MR. BERTHIAUME: Total -- references to
14 the total assets.

15 A. Okay, 14,059,866 and 89 cents.

16 (BY MR. LEONE)

17 Q. Drawing your attention lower, does the
18 balance sheet also reference total equity?

19 A. Okay.

20 Q. Do you see section that says total equity?

21 A. Okay, yep, 8,589,915 and 83 cents.

22 Q. I'm sorry, just to back is there also a
23 section that reads total liabilities above
24 that?

1 A. Okay, 14 million -- okay, 5,470,951.06.

2 Q. Okay.

3 A. Again, I try help here, but that's not my --
4 but I know the numbers, I probably can help
5 you guys.

6 Q. And does this balance sheet, Exhibit 7, list
7 any information about taxes?

8 A. I don't see.

9 Q. Under liabilities and equity, do you see
10 anything there?

11 A. Total liability and equity, that's what
12 you're saying?

13 Q. So is there a section or a line item on this
14 for federal income taxes?

15 A. Okay, 4,624,800.60.

16 Q. Do you know if those income taxes were paid?

17 A. If it's here for sure; we pay all our tax.

18 Q. And there's a line item right below there
19 which says payable Brazilian Help
20 Incorporated; do you see that?

21 A. Yes, that's Diskavontade.

22 Q. Why would TelexFREE LLC have the liability of
23 approximately --

24 A. Because that time we don't have -- sometime

1 they don't have a bank because the bank --
2 that I think that can be something we don't
3 have a bank to pay something and we pay the
4 Diskavontade.

5 MR. BERTHIAUME: Do you know or are you
6 guessing?

7 A. I guess; I don't know.

8 (BY MR. LEONE)

9 Q. Okay, and as I mentioned before, if you know
10 unless otherwise indicated.

11 A. No, I don't know, I'm sorry. I try to
12 respond. I want to answer the question,
13 that's what's the problem. I don't want to
14 leave you guys with no answer. I want to
15 answer the question.

16 MR. BERTHIAUME: But if you don't know
17 the answer, you can't.

18 (BY MR. LEONE)

19 Q. And then moving up to other current assets;
20 do you see that?

21 A. Okay, loan, okay.

22 Q. So there's one that says loan to TelexFREE
23 Inc.; do you see that?

24 A. Okay.

1 Q. Do you have any information on that?

2 A. That's for sure probably the bank shut down
3 TelexFREE Inc. or TelexFREE LLC and we just
4 need money for TelexFREE Inc. to pay all our
5 debt, that's what happened.

6 Q. And then below that it says loan to Ympactus
7 dash current.

8 A. That's the money they never paid us, look
9 like a loan, they not pay us, it's still
10 dividend.

11 Q. And below that it reads ProPay reserve.

12 A. That's the money still in the ProPay, is not
13 paid yet that time, I'm talking about 2012;
14 probably now it's already paid.

15 Q. What's a reserve?

16 A. Reserve like ProPay receive all the payment
17 first but they never settle the payment to
18 TelexFREE; like as a company receive the
19 payment for our customer, for a promoter, and
20 the monies go to that company and then that
21 company settle -- it's a merchant account,
22 that company settle the money to TelexFREE,
23 like iPayout today; most money stay in
24 iPayout, we just use the money to pay a

1 promoter or pay something, you know, we leave
2 the money all there.

3 Q. And so is that money that ProPay is keeping
4 or is that money that you're leaving there?

5 A. No, no, because ProPay because they have to
6 settle; on that day probably they don't have
7 a chance yet to settle to our account, it's
8 still there.

9 MR. BERTHIAUME: Your money that they're
10 holding.

11 A. They hold, like because and still today one
12 week or two weeks so they can settle to our
13 account. They don't receive today and settle
14 tomorrow, it take a little time.

15 (BY MR. O'HARA)

16 Q. But the ProPay reserve account that's on this
17 exhibit, is there a minimum that has to be in
18 the account, in Telex's ProPay reserve
19 account?

20 A. I don't think it's a minimum.

21 Q. So all the money that's left in the ProPay
22 reserve is left their voluntarily by Telex --

23 A. Exacts --

24 Q. -- LLC?

1 A. We can request the money to TelexFREE or we
2 can leave it, they can pay, you know, because
3 always we try like -- we like iPayout today.
4 We prefer leave the money there because they
5 pay all our promoters, they pay everything;
6 if we need the money we bring it to TelexFREE
7 bank, you know; if we don't need, we leave it
8 there to pay promoters and everything.
9 Especially today we have problems with bank,
10 you know, iPayout is our bank, that's what
11 happened today.

12 (BY MR. LEONE)

13 Q. So currently you can -- or TelexFREE leaves
14 money with iPayout and doesn't put it in a
15 bank?

16 A. We don't put it in a bank, bank is scared.
17 You know, when we put money in the bank the
18 bank shut us down because we have money in
19 there. I don't know, but that's what
20 happened with us in a couple last month.

21 (BY MR. O'HARA)

22 Q. In the bank account section of the current
23 assets; do you see that?

24 A. Okay.

1 Q. And you've been mentioning that banks have
2 been closing your accounts; do any of these
3 accounts in this section still exist or are
4 still open?

5 A. Both is close.

6 Q. Okay, so both --

7 A. Don't give no reference about it.

8 Q. When you mean both referencing which
9 accounts?

10 A. TD Bank closed the account, Citizen Bank and
11 they don't give no reference for us why they
12 close. They just send a letter don't want
13 you to be our customer.

14 Q. What about the ProPay account that's listed?

15 A. ProPay, they stay and then we went to iPayout
16 because it's a better company 'cuz ProPay
17 cannot handle our customer base. The
18 software they have there, we have so many
19 customers, so many promoter coming aboard,
20 they cannot handle it; and then we found
21 iPayout and they done better job for us.

22 (BY MR. LEONE)

23 Q. How is iPayout's software any different than
24 ProPay's?

1 A. Better software and better -- actually one of
2 the biggest problems we have on ProPay
3 because they cannot prevent fraud by credit
4 card. When receive they not have a good
5 fraud protect for receive credit card in the
6 system. When we move to iPayout, you know,
7 we don't have no more problem with the fraud.
8 That was the big problem I had with ProPay.

9 MR. LEONE: We can leave Exhibit 7 out
10 and I'd like to introduce Exhibit 8, which is
11 a one -- a two-page document with the title
12 TelexFREE LLC Balance Sheet as of December
13 31, 2013.

14 (Whereupon, Exhibit No. 8, TelexFREE LLC
15 Balance Sheet as of December 31, 2013, was
16 marked for identification.)

17 MR. LEONE: Mr. Wanzeler, if you could
18 take a moment to review that document,
19 please. Thank you. And look up when you've
20 completed that review.

21 (Witness views document.)

22 THE WITNESS: Okay, I'm okay.

23 (BY MR. LEONE)

24 Q. Mr. Wanzeler, have you had a chance to review

1 Exhibit 8?

2 A. Yep, sure.

3 Q. Do you recognize this document?

4 A. I do.

5 Q. Have you seen it before?

6 A. Yes, I did.

7 Q. Could you describe the document generally?

8 A. What I understand here, that's what the money
9 we have in a couple of banks or merchant
10 accounts. The total is 37,577,512 and 99 --
11 95 cents. And in the bank accounts, like we
12 have -- we invest a couple type of business,
13 Telex Electric we invest 2 million and 22
14 dollars 329 dollars; we invest some money
15 with TelexFREE Financial. Actually, that
16 money was -- TelexFREE Financial was built
17 more for pay our employees and pay --
18 because difficulty we have with another banks
19 with TelexFREE, we try build TelexFREE
20 Financial just to pay our employees, pay
21 something, you know, if they close our
22 account all to TelexFREE. And Telex Mobile
23 that's what come aboard because with the four
24 biggest carriers, you know, approved we can

1 use and we start, I think April 15 we start
2 cell phone carriers to our customer inside
3 U.S. that we invest about \$500,000 to get all
4 the licenses. This is going to be huge
5 because just this can bring millions and
6 millions in customer to our agent program.

7 (BY MR. NEELON)

8 Q. Is Telex Mobile an entity?

9 A. Yep, Telex Mobile it's our company, we have
10 all license to deal with the biggest
11 carriers, ATT, T-Mobile, Sprint, and Verizon.
12 Anyone use ATT or those four carriers can
13 change to Telex Mobile and will pay a little
14 less money, but the only thing we buy
15 wholesale minutes from them and that's why we
16 can sell for less, you know, and this is
17 going to be huge. And you can see here every
18 investment we done in our company were the
19 good things.

20 (BY MR. LEONE)

21 Q. Mr. Wanzeler, who was responsible for
22 compiling the information contained in
23 Exhibit 8?

24 A. Joe Craft.

1 Q. Did you review the information compiled by
2 Joe Craft after he compiled it?

3 A. Yes, I did.

4 Q. If I could draw your attention to some of the
5 entries here.

6 A. Okay.

7 Q. Near the top under assets it says eWallet; do
8 you see that?

9 A. Yeah, that's iPayout.

10 Q. So eWallet is the same as iPayout?

11 A. Same iPayout.

12 Q. How does a promoter take or get money from
13 the back office or iPayout to their own bank
14 account; can you walk me through that?

15 A. Yes. Today they have to request money in the
16 back office from TelexFREE and when they
17 request the money, they go right there to
18 iPayout account. Every promoter we have,
19 they have to set up eWallet account.

20 MR. BERTHIAUME: Set up what?

21 A. eWallet account.

22 MR. BERTHIAUME: eWallet account.

23 A. Yeah, iPayout. Then everything is paid
24 through iPayout. They request money from our

1 company, it goes right there and iPayout not
2 only receive the money from the promoter and
3 the customer we have, but they pay out the
4 promoters, too.

5 (BY MR. LEONE)

6 Q. So a promoter will have money from sales and
7 residual income in their back office,
8 correct?

9 A. Yes.

10 Q. And then what are the steps that they need to
11 do to transfer to iPayout?

12 A. Every Tuesday once a week, okay, the promoter
13 can request money, if they have in the back
14 office.

15 Q. Has that always been that way?

16 A. Always been that way; once a month or once a
17 week, I'm sorry; every week they can go, if
18 they have money they can request; when they
19 request that money. All the promoter have to
20 open account, okay, in iPayout. Then they
21 have their own account there. When they
22 request the money automatically go to that
23 account and iPayout, we have a key in our
24 back office we can release those amounts.

1 And when we release those amount, the agent
2 can request the money out. That's the reason
3 we use iPayout because we don't want ours to
4 transfer the money to him because it's more
5 guaranteed with, you know, we try prevent
6 money-laundering or something, you know, we
7 just want to be clear, okay, that iPayout is
8 very good company, not only receive money but
9 to pay out, too.

10 Q. When a promoter requests money be transferred
11 from the back office to iPayout is there a
12 fee?

13 A. No, no fee.

14 Q. When a promoter requests money from iPayout,
15 and I assume they request it to a bank
16 account; is that right?

17 A. Yeah, to the bank account. They have a
18 nominal fee, I think iPayout charge, but it's
19 much less than to do wire transfer,
20 something, and request money, that's for
21 iPayout.

22 Q. Does TelexFREE charge any money for
23 transferring --

24 A. No.

1 Q. -- charge any fee, I'm sorry?

2 A. No, no money was charged to the agent request
3 the money to iPayout.

4 (BY MR. O'HARA)

5 Q. Why can an agent only make a request from
6 their eWallet on Tuesday?

7 A. Because that's the only day we want they do a
8 request. That's the company, you know, they
9 don't want do every day; do once a week.

10 (BY MR. LEONE)

11 Q. When you say the company, do you mean
12 TelexFREE?

13 A. TelexFREE; always like that, once a week.
14 That was how it was built, can request money
15 once a week.

16 (BY MR. O'HARA)

17 Q. So can a -- and then what days during the
18 week can --

19 A. Tuesday only.

20 Q. So Tuesday every rep that wants money has to
21 log in sometime Tuesday?

22 A. Anytime Tuesday and request the money.

23 Q. Okay, so they can do it once a week on
24 Tuesday?

1 A. Yep.

2 Q. And then when do they get their money?

3 A. As soon as they request that money, a week
4 after that because they request the money,
5 the money goes to iPayout and iPayout release
6 one week 'cuz they'll review that money with
7 us, okay, this is -- are you sure this is not
8 fraud or something; we just need one week to
9 verify that money was okay, it's not somebody
10 try problem. Think about this, if somebody
11 go there in your back office, you know, bad
12 guys and go there and transfer money to some
13 account in iPayout, you know, what happened
14 we need the time to confirm, you know,
15 especially on the big amount money to
16 confirm, you know, we go there, every money
17 after \$10,000 we have one employee just look
18 one-by-one and see if those money, it's okay
19 to release. We just want to make -- we need
20 a week to release the money to iPayout and
21 pay out. The answer to your question is one
22 week.

23 Q. Okay, and what employees at TelexFREE review
24 the iPayout --

1 A. From the finance; we have about four
2 employees there to review.

3 Q. What do they look for when they review?

4 A. They look for if any -- first of all, they
5 look at the ticket because we receive tickets
6 by fraud and one thing they look very hard,
7 you know, if one of the tickets open is not
8 released from one of those account that
9 request money, you know, and they want see,
10 okay, let's say for somebody say, hey, my
11 account got stolen, somebody transfer money
12 for somewhere, you know, and we have that
13 ticket open, the first thing she's do, look,
14 see if anybody request money here or
15 something, you know, they're very -- 'cuz a
16 week is enough time. You go there every day,
17 you look your statement and you see if
18 anything's going on on your statement.

19 Q. Is this review being done with personnel in
20 Brazil or in Massachusetts or the United
21 States?

22 A. Massachusetts.

23 (BY MR. NEELON)

24 Q. Is there a maximum that you can transfer out

1 of your back office at any given time?

2 A. For TelexFREE to iPayout, no maximum. They
3 can transfer any amount. But I think in
4 iPayout they only release 9,900 a day.

5 (BY MR. O'HARA)

6 Q. And when people express their -- when people
7 on Tuesday ask for some sort of payout from
8 their eWallet, does iPayout then send
9 TelexFREE some sort of statement saying these
10 are the requests?

11 A. Oh, no, we can go online and we can see they
12 send the money or what account, we can see
13 everything. The back office they give to us
14 is very good back office.

15 Q. Okay, so does -- if like 10 representatives
16 on Tuesday indicated they want money
17 transferred to their iPayout account, they
18 put that in the back office, right?

19 A. Yeah, believe me, if one our promoter
20 requests money and trans to iPayout, if they
21 don't get paid, believe me, we hear about.

22 Q. Yeah, I get that, what I want to know is when
23 they indicate that they want their money from
24 iPayout they put that into the back office

1 somehow, right?

2 A. Yeah, they put it on back office.

3 Q. Does that information then go to iPayout or
4 does it go to TelexFREE?

5 A. Go to iPayout.

6 Q. Okay, so then --

7 A. When they request money on TelexFREE,
8 TelexFREE know about.

9 Q. Okay.

10 A. We have a record that they request money and
11 send to iPayout.

12 Q. Okay, so iPayout and TelexFREE gets it
13 simultaneously?

14 A. Exactly, we both know.

15 Q. Okay. And then what does iPayout do after
16 they get the request from the representative
17 to pay money?

18 A. They have a key, like let's say if everybody
19 request money to iPayout on Tuesday, okay,
20 let's say we have a thousand agent, we can go
21 there and select every one by one time and
22 said okay, iPayout make the release; or we
23 can look in a couple one and just select what
24 we want and they can make pay out. The most

1 time I tell the true, we don't have no fraud,
2 we select everybody and everybody be paid.
3 So far we pretty good, no frauds, nothing,
4 you know, we don't have, but we have -- we
5 can do something if we need to.

6 Q. So at some point after Tuesday iPayout sends
7 Telex some sort of statement saying this is
8 the request is it okay to pay?

9 A. Yes.

10 Q. And is that done --

11 A. We need to click -- actually, iPayout don't
12 ask us, the promoters send the money to
13 iPayout, we need go there and look and
14 approve.

15 Q. So they send money from their back office to
16 iPayout?

17 A. Exactly.

18 Q. Okay. And then what day are they -- oh, then
19 they're paid the following Tuesday?

20 A. Yeah, follow Tuesday.

21 Q. So on Tuesday people from the previous week
22 get paid and then new requests --

23 A. Exactly.

24 Q. -- get input?

1 A. We ask just one week to review and found out
2 if everything's okay.

3 (BY MR. LEONE)

4 Q. Okay, staying with Exhibit 8 here, I'd like
5 to draw your attention to the other current
6 assets and you mentioned some of these
7 entries before, one of them says Telex
8 Electric LLLP; is that right?

9 A. That's correct.

10 Q. And what is that entity; is that an entity?

11 A. Yeah, that's -- actually, that's Jim is more
12 involved and Jim always look the best way to
13 invest money and get money in our company and
14 not stay in the bank. Telex Elect, it's
15 something we invest \$2 million in 20 years we
16 can get up to \$20 million back; plus, the
17 good thing there, it's a hundred percent tax
18 deduction, you know, whatever we pay here, \$2
19 million, we can deduct \$2 million for our
20 tax. It's look like instead you pay \$2
21 million tax because you help the government
22 and build electricity, you know, something,
23 the government give you the opportunity,
24 okay, you don't pay a tax; that's what Jim

1 loved this about because in the same way the
2 company make money and help, you know, save a
3 lot of money with the tax.

4 (BY MR. O'HARA)

5 Q. And did you say with this \$2 million
6 investment in 10 years TelexFREE will get \$20
7 million back?

8 A. Ten to 15 years get up to \$20 million.

9 Q. And where exactly is the money going?

10 A. Like I say, I cannot explain to you, but Jim
11 can explain how that work and, you know, and
12 I think Joe Craft can do that, too. Okay,
13 but it's not a mistake here, I said to you
14 between 15 and 20 million, but in the long
15 term and a hundred percent money deduct for
16 the tax. Instead we pay tax, we invest in
17 this. We gotta pay tax anyway, right, that's
18 a good deal.

19 (BY MR. LEONE)

20 Q. Are you involved with Telex Electric?

21 A. Yeah, the company's involved, I'm involved;
22 that's a TelexFREE. I own TelexFREE, too,
23 right?

24 Q. So you're involved in it but can you describe

1 what the investment's in then?

2 A. I cannot describe the TelexFREE Electric in
3 the details; actually, I don't have to do
4 that, I have to trust what my partners do.

5 Q. So what is your involvement with Telex
6 Electric?

7 A. Just approve, okay, they say it's a good
8 deal, I just see the contract and I believe
9 what they said to me, you know, and I trust
10 my partner; Jim Merrill think it's a good
11 investment and let's investment. And, plus,
12 I see here nothing to lose 'cuz I gain on a
13 tax deduction, that's what make me don't
14 worry about at all.

15 Q. Right below Telex Electric there's Telex
16 Financial; do you see that?

17 MR. BERTHIAUME: TelexFREE Financial?

18 (BY MR. LEONE)

19 Q. TelexFREE Financial, do you see that,
20 TelexFREE Financial, Inc.?

21 A. TelexFREE Financial, like I explained to you
22 before, this is a -- it's a bank -- it's a
23 company and do the pay the employees and pay
24 the debt. Instead we open TelexFREE only

1 because we have so many problems with bank.
2 We open company called TelexFREE Financial
3 just to pay our bills.

4 (BY MR. NEELON)

5 Q. So are both TelexFREE LLC and TelexFREE Inc.
6 employees paid from TelexFREE Financial?

7 A. TelexFREE Financial was opened not too long
8 ago, okay, TelexFREE Financial is open
9 because the problem we have in the banks and
10 if all our bank shut down by TelexFREE we
11 need some bank; you know, we try get some
12 place we can pay our employees, pay our debt,
13 you know, and that's what TelexFREE --
14 TelexFREE Financial will just let you guys
15 know that it's another TelexFREE company.

16 Q. So are TelexFREE Incorporated employees paid
17 out of TelexFREE Financial?

18 A. Exactly.

19 Q. And are TelexFREE LLC employees also paid out
20 of TelexFREE Financial?

21 A. Not now, not after we put TelexFREE Financial
22 in because, like I said, this is not too long
23 ago, okay, we started this not too long ago.

24 (BY MR. O'HARA)

1 Q. Do you know where the \$3.8 million that seems
2 to be in that account is being held, what
3 institution?

4 A. That's from TelexFREE.

5 Q. Yeah, so where is that \$3.8 million being
6 held, I mean is it in a bank?

7 A. In the bank.

8 Q. Okay.

9 A. This is a bank. This is bank account.

10 Q. What bank?

11 A. I think it's a PNC, PNC Bank and I hope we
12 can still survive till we can pass this and
13 people understand our business.

14 (BY MR. LEONE)

15 Q. Okay, I'd like to move further down where it
16 says other assets; do you see that?

17 A. Yes.

18 Q. And there's one entry where it reads Citizens
19 Bank Investment and it appears to have zeroes
20 after it; what was that or what is that?

21 A. You talk about Fidelity Investment?

22 Q. Let's start with Citizens right above it.

23 A. Citizen Bank is zero, right, it's nothing
24 there.

1 Q. What was it?

2 A. If it was, probably moved to another bank,
3 probably Fidelity Investment or something.
4 This is money in the bank, we don't do
5 anything and what Jim did, that's actually
6 his -- he's the one responsible for this,
7 too; what he's did why not investment and
8 make some money and leave the money there, is
9 not making money; that's what about. The
10 same thing as Middlesex Save.

11 Q. That's Middlesex Savings account; is that
12 right?

13 A. Yep. And I think I have another here,
14 Waddell and Reed, Inc., that's the same
15 thing. It's two -- it's three banks, like
16 it's a broker, you just put money up there
17 just make some more money.

18 Q. The Fidelity Investment, did you open up that
19 account?

20 A. Jim is opening.

21 Q. Is your name also on the account?

22 A. My name, yes; all the bank when we open the
23 account we put our personal bank there, too.

24 MR. BERTHIAUME: So are you asking if

1 this Fidelity Investment is in the name of
2 them individually as opposed to the company;
3 is that the question?

4 MR. LEONE: That's correct.

5 A. No.

6 (BY MR. LEONE)

7 Q. So that Fidelity Investment account is in the
8 name of TelexFREE LLC?

9 A. No. Fidelity Investment, that's a Fidelity
10 bank, we invest money to the Fidelity bank.

11 Q. Okay, let me try to ask it a different way.

12 A. Yeah, please.

13 Q. The account name for the Fidelity Investment,
14 is there an account name for the Fidelity
15 Investment?

16 A. I don't think so. I think --

17 MR. BERTHIAUME: This is an asset of the
18 corporation. I mean these aren't individual
19 assets. This is an asset --

20 MR. LEONE: Understood.

21 MR. BERTHIAUME: -- of LLC.

22 MR. LEONE: That's understood.

23 A. Yeah, it's a bank -- it's a brokerage, they
24 just, okay, if you put your money here you'll

1 make some more percentage.

2 (BY MR. O'HARA)

3 Q. Do you know how many accounts you have at
4 Fidelity Investment or how many accounts
5 Telex LLC has at Fidelity Investment?

6 A. Just one.

7 Q. Do you know what the name of that account is?

8 A. Well, it was TelexFREE, TelexFREE LLC, but
9 the money go to the Fidel Investment
10 brokerage.

11 Q. Okay.

12 A. That's not our company, okay, this is a
13 brokerage name.

14 Q. I think I understand.

15 A. Thanks. Some day probably we own some bank
16 or something but not today, I think we have
17 enough.

18 (BY MR. LEONE)

19 Q. Do you have authority to withdraw funds from
20 the Fidelity Investment?

21 A. No.

22 Q. Do you have authority to withdraw money from
23 any of the entities listed under other
24 assets?

1 A. Not me, I think all Jim because Jim set up
2 those brokerage account, you know, he's the
3 one sign and I think he's the only one that
4 can take money out or something.

5 Q. Flipping to the second page here of Exhibit 8
6 there's a category that reads other current
7 liabilities; do you see that?

8 A. Okay, 36 million 836, this, total other
9 current liability, that's the one?

10 Q. Sure, we can start there.

11 A. No, no, tell me what you -- sorry.

12 Q. Right, so above that there's a category that
13 just says other current liabilities; do you
14 see that?

15 A. Okay.

16 Q. And so there are a number of entries
17 underneath that heading; is that right?

18 A. Okay, commission paid?

19 Q. Yeah, okay, so let's start there. There's
20 one entry that reads Craft Trust Financial;
21 do you see that?

22 A. Yep.

23 Q. What is that?

24 A. I don't know.

1 Q. Okay. Skipping the next line there's one
2 that says loan from TelexFREE Inc.; what is
3 that?

4 A. This is LLC, right?

5 Q. Correct.

6 A. That's the money come from LLC Inc. to
7 LLC -- TelexFREE LLC.

8 Q. Okay. And below that payable to Brazilian
9 Help Inc.; what is that?

10 A. That's like I think we talk about that
11 before, I don't know what that mean, but can
12 be some fee we pay or whatever; probably we
13 have a problem with banks or something we
14 for, but I don't know.

15 MR. LEONE: All right, I'd like to
16 collect Exhibit 7 and 8, please. And I
17 would like to enter in Exhibit 9.

18 (Whereupon, Exhibit No. 9, TelexFREE
19 Inc. Balance Sheet as of December 31, 2012,
20 was marked for identification.)

21 MR. LEONE: It is a one-page document
22 with the header TelexFREE Inc. Balance Sheet
23 as of December 31, 2012. Mr. Wanzeler, if
24 you would take some time to review that

1 document and look up after you have.

2 (Witness views document.)

3 THE WITNESS: I'm okay, it's look all
4 the same to me.

5 (BY MR. LEONE)

6 Q. So have you reviewed this document, Mr.
7 Wanzeler?

8 A. I remember -- I think I review a lot of
9 documents, I think this one I review, too.

10 Q. Have you seen it before?

11 A. I think so.

12 Q. And who was responsible for compiling the
13 data on this exhibit?

14 A. Joe Craft.

15 Q. And did you review this data after Joe Craft
16 compiled it?

17 A. Yes, I did.

18 Q. Could you generally describe this document?

19 A. That's the balance sheet that say what we
20 have on the bank, on the loan.

21 Q. And it would be the balance sheet for which
22 entity?

23 A. For TelexFREE Inc.

24 Q. As of which date?

1 A. December 31, 2012.

2 Q. And does this balance sheet list a figure for
3 total assets?

4 A. If it is it's 1,187,381 and 18 cents.

5 Q. Okay. Does it also list total liabilities?

6 A. It's under here? Okay, I got it, 709 thous,
7 728 and 95 cents.

8 Q. Just so we're clear, that's thousand, right?

9 A. Yeah, 709 thous, 728 and 99 -- 95 cents.

10 Q. All right, thank you. And does this balance
11 sheet also list total equity?

12 A. Okay, 477 thous, 600 and five two and 23
13 cents.

14 Q. Under other current liabilities which is up a
15 little ways from total equity; do you see
16 that?

17 A. Okay, yep.

18 Q. It says loan from shareholders; do you see
19 that?

20 A. Okay, yep.

21 Q. And is there a figure?

22 A. Yeah, a loan from TelexFREE LLC 701 thous
23 525 dollars.

24 Q. Okay, so that would be the loan from

1 TelexFREE, right?

2 A. Yes.

3 Q. Could you describe that loan; do you know
4 what that loan is?

5 A. Yeah, that -- maybe that's money come from
6 TelexFREE LLC and we'd be paid in TelexFREE
7 Inc.

8 Q. And there's also an entry above that loan
9 from shareholders, right?

10 A. It's a zero here.

11 Q. Do you know --

12 A. It's from our shareholders, I don't think
13 nothing got paid to TelexFREE to the
14 shareholders.

15 Q. Do you know what the word shareholders refers
16 to on this balance sheet?

17 A. It's zero amount, what I see.

18 Q. The amount is zero, but the word
19 shareholders, do you know who that refers to
20 or does it refer to anyone?

21 A. I don't know.

22 Q. Okay.

23 MR. LEONE: Keep Exhibit 9 and I would
24 like to introduce Exhibit 10 which is a two-

1 page document with the header TelexFREE Inc.
2 Balance Sheet as of December 31, 2013.

3 (Whereupon, Exhibit No. 10, TelexFREE
4 Inc. Balance Sheet as of December 31, 2013,
5 was marked for identification.)

6 THE WITNESS: Yep, okay.

7 MR. LEONE: Mr. Wanzeler, if you could
8 take a moment to review Exhibit 10 and look
9 up after you've had a chance to do so.

10 (Witness views document.)

11 THE WITNESS: I'm ready.

12 (BY MR. LEONE)

13 Q. All right, Mr. Wanzeler, have you had chance
14 to review this document?

15 A. Actually, this one to tell the true, I don't
16 remember.

17 Q. Okay, what I'm asking you is have you had a
18 chance to review it --

19 A. Not --

20 Q. -- today?

21 A. Not this one. No, today, yes.

22 Q. So you've had a chance to review the Exhibit
23 10 --

24 A. Today.

1 Q. -- correct?

2 A. Yes, but I understand.

3 Q. Okay, and have you seen this exhibit before?

4 A. I don't remember see this one.

5 Q. Do you know who is responsible for compiling
6 the data?

7 A. Joe Craft.

8 Q. And did you review the data that Joe Craft
9 compiled?

10 A. Specifically this document is still like new
11 for me, but I think I review.

12 Q. Okay, but you're not sure?

13 A. I'm familiar; put it this way, everything,
14 yeah, I'm familiar.

15 Q. Okay, could you just generally describe the
16 document, please?

17 A. What I understand here, that's the money stay
18 in the bank, that's the assets we have;
19 that's correct?

20 Q. Okay, and --

21 A. They say here Bank of America I have \$3,066,
22 in the Fidelity Bank I have 40,668.24, Master
23 CFA, tell the true I don't know what it is. I
24 don't know what that means, 20,000 zero 25

1 and 45 cents, now the total here 19 -- total
2 GPG.

3 Q. Do you know what GPG stands for?

4 A. GPG is one more merchant account that receive
5 money like iPayout, like I talk before.

6 Q. And do you still use GPG or does TelexFREE?

7 A. No, we use only iPayout now.

8 Q. And why don't you use GPG anymore?

9 A. Because get confuse to the people, you know,
10 like think about this, people send money to
11 GPG, send the money to iPayout, you have to
12 use one, so we pick out iPayout.

13 Q. Okay, so I'd like to highlight just a few of
14 these entries.

15 A. Okay.

16 Q. Under total GPG it says PayPal and then under
17 PayPal it says PayPal 2; do you see that?

18 A. Yep.

19 Q. What do those refer to?

20 A. I think it refers same for me; PayPal and
21 PayPal 2 are the same.

22 Q. What is PayPal?

23 A. PayPal is the one merchant account to receive
24 money to.

1 Q. And that was used in the past?

2 A. We use in the past.

3 Q. Why would there be two PayPal accounts?

4 A. I don't know.

5 Q. Who would know that?

6 A. Joe Craft; can be misspell something 'cuz
7 PayPal name is only one. Well, only if we
8 have two accounts; you know what that can be,
9 that can be if we have two accounts with the
10 TelexFREE Inc. and TelexFREE LLC, they have a
11 Paypal 1 and Paypal 2; that can be different.
12 I don't know, I cannot -- I just try figure
13 out why.

14 Q. Okay. Is there a total current assets listed
15 for the incorporated entity as of December
16 31, 2013?

17 A. You talking way down?

18 Q. No, it's about two-thirds of the way down,
19 maybe three-quarters.

20 A. Total current assets, yeah, 19,313,826 and 08
21 cents.

22 Q. And could you describe what comprises those
23 total assets?

24 MR. BERTHIAUME: Those total current

1 assets?

2 (BY MR. LEONE)

3 Q. Total current assets, correct.

4 A. How I describe that, everything above.

5 Q. Okay.

6 A. Everything above I see here, that's what
7 describe.

8 Q. So all of the entries above total other
9 current assets?

10 A. That's what the 19 million 313 and 826 and 08
11 cents.

12 Q. And is there also an entry for total assets
13 on this form?

14 A. Yeah, 19,456,804.62.

15 Q. And on page 2 of Exhibit 10 is there an entry
16 for total liabilities?

17 A. 21,971.87.

18 Q. Is there an entry for total equity?

19 A. 19,434,832 and 75 cents; it's a lot of
20 numbers for me.

21 Q. Above total equity there's an entry which
22 reads dividend distribution; do you see that?

23 A. Yep.

24 Q. And there appears to be a negative number

1 after that?

2 A. Okay.

3 Q. What does that reference?

4 A. I can guess; I think this is --

5 Q. I don't want you to guess. Do you know?

6 A. I think I know, this is the only money we get
7 from TelexFREE in 2013, that's what the last
8 week in 2013 in December we get it. I think
9 that's the only thing. I don't see anything
10 else here, 'cuz I know I get about 3 million-
11 something and Jim get 3-million something.

12 Q. And did anyone else get money?

13 A. And Carlos Costa, but that's supposed to be
14 about 9-million-something, but I don't see
15 was another one here. It was about \$10
16 million, that's the only money we receive in
17 December 2013; it was 3.5 for me and 3
18 million for Jim and 3 million for Carlos
19 Costa, you know, around there; that's the
20 only money we get from the company. That's
21 what I mean but I think I miss here another 3
22 million because it was three people.

23 Q. And why was Carlos Costa getting 3 million?

24 A. Because he was part of this business here,

1 too.

2 Q. He is a part of TelexFREE Incorporated?

3 A. Yep.

4 Q. What did he do for TelexFREE Incorporated
5 in --

6 A. When we done the partnership in Brazil we
7 done the same company here, too; we grow the
8 organization here and he's a part of the
9 business.

10 (BY MR. O'HARA)

11 Q. I have a question for you, Mr. Wanzeler.

12 A. Sure.

13 Q. The first page, the fixed assets, do you see
14 that section?

15 A. Fixed asset, yep.

16 Q. So the item that says equipment and it says
17 equipment 171,952.97.

18 A. Okay.

19 Q. Do you know what that entry represents?

20 A. That's servers we bought.

21 Q. That's the servers?

22 A. Yeah, servers.

23 Q. Okay, so that's the equipment that Telex --

24 A. For TelexFREE, yeah.

1 Q. Okay. And is that in the entry just above
2 that, accumulated depreciation?

3 A. I don't know what that mean.

4 Q. Okay, but then going back to the equipment,
5 the servers, do they make up the bulk of
6 TelexFREE's equipment?

7 A. Where?

8 Q. Just going back down --

9 MR. BERTHIAUME: What he just described.
10 You were just talking about it.

11 A. 171 thous, 952 and 97 cents, that was servers
12 we bought for our company.

13 MR. O'HARA: Okay, got it.

14 MR. LEONE: Okay, I'd like to collect
15 Exhibit 10 only.

16 THE WITNESS: Okay.

17 MR. BERTHIAUME: Ten only?

18 MR. LEONE: Ten only, we'd like to leave
19 nine out for the moment.

20 THE WITNESS: I have nine.

21 MR. LEONE: Yes, you can keep nine,
22 we're just going to collect 10. And I'm
23 going to introduce Exhibit 11, which is a
24 two-page exhibit with an e-mail.

1 (Whereupon, Exhibit No. 11, E-mail, was
2 marked for identification.)

3 MR. LEONE: Mr. Wanzeler, if you could
4 take some time to review that document and
5 look up after you've had an opportunity to.

6 (Witness views document.)

7 THE WITNESS: I'm okay.

8 (BY MR. LEONE)

9 Q. Mr. Wanzeler, have you had a chance to review
10 this exhibit?

11 A. Yep.

12 Q. And do you recognize Exhibit 11?

13 A. I do.

14 Q. Have you seen it before?

15 A. This one here I'd say no, because this one I
16 can see that was done back in April 23 in
17 2013, that's what Gerry Nehra with Andrea
18 sent to you.

19 Q. And who would have been responsible for
20 compiling the information in Exhibit 11?

21 A. This was Joe Craft.

22 Q. And did you review the information that Joe
23 Craft compiled?

24 A. Not this one.

1 Q. So you've reviewed all of the other balance
2 sheets and profit and loss --

3 A. This wasn't 2013, you know, I remember that
4 date, actually I was in Brazil in April when
5 he receive those subpoena from you guys to
6 send document and Andrea, same thing we talk
7 before, this one here was prepared by Andrea,
8 sent to Gerry Nehra. I cannot guarantee
9 either if Joe Craft review that. I think so,
10 but that was made from Joe Craft and Andrea
11 and Gerry Nehra on this particular one here.
12 And for me again, I come back in the same
13 way, I try explain to you this one isn't
14 complete and I said this one's, it's got --
15 this one not good.

16 Q. So as you said not good, why is Exhibit 11
17 not good?

18 A. Because by April 23, 2013 that's not what the
19 income tax to declare. They're not finished
20 this. They sent something in QuickBooks to
21 you guys but they're not finished and done
22 with the details what the correct amount, you
23 know. It's what we do, you know, like people
24 can go there every month and insert data, but

1 sometime they miss the data; sometimes they
2 just say okay, this data here goes with this.
3 I agree, but it's not there, you understand,
4 so this happen all the time in our company.
5 Sometime they can put amount, it's an
6 employee that's not supposed to be an
7 employee, it's supposed to be an agent, okay,
8 and this, I guarantee to you, was review
9 after April 23rd that's with done with our
10 tax. Again, this here, that's correct one,
11 Exhibit No. 9; this one is incorrect.

12 (BY MR. NEELON)

13 Q. How do you know that this one is correct?

14 A. Because like we saw before they don't put it
15 here what the amount we see inside our
16 system, you know, it was missed there, they
17 don't put the amount we pay inside our
18 system.

19 (BY MR. LEONE)

20 Q. On Exhibit 9, which I believe you testified
21 is the correct exhibit, where does it mention
22 the system?

23 A. No, no, this one is correct. I do try guess
24 here, I don't know if this is the same thing

1 you show me before we go on a break.

2 Q. No, so what we're looking at now, just to
3 back up, is the balance sheet -- so Exhibit 9
4 is the balance sheet for TelexFREE
5 Incorporated as of December 31, 2012, right?

6 A. Okay, all right.

7 Q. Exhibit 9, that's the one-page document.

8 A. Okay.

9 MR. BERTHIAUME: That was recently
10 produced.

11 MR. LEONE: That was recently produced.

12 (BY MR. LEONE)

13 Q. Exhibit 11 is the two-page document which
14 I'll ask you, does it also have the same
15 header TelexFREE Inc. Balance Sheet as of
16 December 31, 2012?

17 A. Okay.

18 Q. Does it have the same header?

19 A. What it mean the same header? Sorry about
20 that. Ask again, I will respond. I want to
21 respond to your question.

22 Q. Sure, so Exhibit 9, which is the one-page
23 document that was recently --

24 A. Right here.

1 Q. -- produced --

2 A. Okay.

3 Q. -- has the header TelexFREE Incorporated
4 balance sheet as of December 31, 2012,
5 correct?

6 A. Right, yes.

7 Q. Exhibit 11, which is the two-page document
8 has the same header; is that correct?

9 A. That's correct.

10 Q. Okay.

11 A. But the only different here, that can be the
12 same but the only -- what I try to say here,
13 after April 23, 2013 Andrea and Joe Craft
14 went there again and review if everything was
15 correct and probably something was changed
16 because they weren't correct and make sure we
17 do the tax in the right amount. And for me,
18 what I see here, the number can -- I don't
19 look this, the number can be the same, but
20 for me this one is correct one.

21 MR. BERTHIAUME: Exhibit 9.

22 A. Exhibit 9. Don't take me wrong, I just try
23 to say because I can see the same day is
24 April 23 of 2013, I think they went there and

1 they make couple of change after that before
2 they do the income tax and for me this one
3 was February 20, 2014, you see, this one was
4 the correct one.

5 (BY MR. LEONE)

6 Q. For the record let's -- let's be clear for
7 the record, are you referring to Exhibit 9?

8 A. Exhibit 9, yeah. See, when we print February
9 20, 2014, this -- it's after April 23rd; for
10 me that's the correct information right here,
11 that's what I follow up.

12 MR. BERTHIAUME: Exhibit 9.

13 A. Exhibit 9, okay, that can be the same. I can
14 look here the numbers almost the same if you
15 come on the end here, 1,000,168, 1,000,187,
16 you know, it's almost the same number but
17 some correction was done there.

18 (BY MR. NEELON)

19 Q. Just to take an example, it's your
20 understanding that the actual loan from
21 TelexFREE LLC as listed on Exhibit 9 is
22 701,525, that's correct as opposed to the
23 number on -- listed on Exhibit 11, which is
24 \$93,880.88?

1 A. Exactly, because this one was correct. There
2 was a mistake there; they never put in the
3 right place, probably they put this in
4 different location or don't put it. They're
5 not set in the right line, you understand,
6 probably put a -- think about this, the
7 employee there probably take that amount and
8 put on, let's put it on the long shareholder
9 or Bank of America holder, something, because
10 they're placed in the wrong place. And then
11 after the -- before we do the tax, Andrea go
12 there very careful and found out okay, this
13 amount supposed to be here or not; she's move
14 around because that's what the correction --

15 MR. BERTHIAUME: Are you -- you're
16 speculating now, you don't know?

17 A. I don't know, but I can see that -- because
18 know what I said, because the amount's almost
19 the same, you can see that. The numbers have
20 to be in some place here.

21 (BY MR. LEONE)

22 Q. Do you know why Andrea or Joe Craft would
23 change the numbers as they were produced on
24 Exhibit 11?

1 A. Because before we do the income tax they have
2 to review line by line is everything correct;
3 if there's -- nothing was place in different
4 category, you understand, because they can
5 place something in the different category,
6 it's not the amount can be wrong, but the
7 category can be wrong when they place that.
8 But, again, what I said to you, Exhibit 9,
9 that was the correct one.

10 MR. LEONE: All right, why don't we --

11 THE WITNESS: I'm sorry for the confuse,
12 guys.

13 MR. LEONE: Why don't we collect Exhibit
14 9 and Exhibit 11.

15 (BY MR. LEONE)

16 Q. Changing gears, Mr. Wanzeler, who is
17 TelexFREE's biggest promoter currently?

18 A. We have a lot of big promoters. What I
19 understand, what I see around, I think we
20 have two big promoters here, we have a
21 Santiago De la Rosa.

22 Q. Can you spell that for the record, please?

23 A. Santiago, D-E, Rosa, A-R-O-S. We have a
24 guy's called Sann Rodrigues. I have Jose

1 Arantes is big leaders, too. We have a lot
2 of big leaders.

3 Q. Who's the biggest?

4 A. I think Sann Rodrigues, I think the one
5 almost start in the U.S. in the begin,
6 because he joined Brazil, he signed up in
7 Brazil, and then Brazil was closed and he's
8 just been inside the U.S. after Brazil
9 closed.

10 Q. Have you met Sann Rodrigues before?

11 A. Oh, yes, I did; not my best friend, but I
12 did, he's my promoter. I met him Madrid, I
13 met him in Orlando, you know.

14 Q. Does Sann Rodrigues -- and can we just back
15 up, could you spell that for the record?

16 A. Sann, it's I think S-A-N-N; it's two N, I
17 think. I don't -- I'm not --

18 Q. You think, okay, and the last name?

19 A. Rodrigues, R-O-D-R-I-G-U-E-S, Rodrigues.

20 Q. And does Mr. Rodrigues go by any other name?

21 A. Not right now; that's what the name I have on
22 the system.

23 Q. Earlier you testified that you'd met Mr.
24 Rodrigues on at least one occasion; is that

1 correct?

2 A. Yeah, I met him because I went to the
3 meetings, the big meetings, you know, and
4 he's there do the events. He's one our big
5 leaders.

6 Q. When you say one of your big leaders --

7 A. Big leaders because he's the top leader in
8 the U.S. He's the one almost start in the
9 U.S. that time, you know, because he start in
10 Brazil first, U.S. was very -- is not that --
11 is not everybody under Sann Rodrigues, but
12 he's a big leader. I have agents it's
13 nothing about Sann Rodrigues, okay, it's
14 different levels, but he's the one done the
15 work, he's the one promote more people to the
16 business.

17 Q. How many people has Mr. Rodrigues brought to
18 the business?

19 A. It's a lot of people, but I don't know the
20 amount.

21 Q. How much did Mr. Rodrigues make last year?

22 A. I don't know the total amount, but I can get
23 the records if you guys need. Actually, I
24 think you guys have the records.

1 (BY MR. O'HARA)

2 Q. Did Mr. Rodrigues conduct his business for
3 TelexFREE in the United States?

4 A. He's a agent like everybody else, just a
5 promoter.

6 Q. Okay, did he conduct his promoter work --

7 A. No.

8 Q. -- from inside the United States?

9 A. No. What do you mean conduct?

10 MR. BERTHIAUME: Where did he go about
11 trying to find customers, agents, whatever,
12 where did he --

13 A. Oh, not only inside U.S.; he's go around the
14 world.

15 (BY MR. O'HARA)

16 Q. All right, let me just --

17 A. He's have a promoters here, Brazil, he's have
18 a promoter in Japan, Madrid, you know,
19 everywhere.

20 Q. When Mr. Rodrigues joined TelexFREE was he
21 living in the United States?

22 A. Yes, he's was living in United State; always
23 I -- what I know Sann Rodrigues, he's live
24 here. I don't remember -- like I say, he's

1 not my best friend, I don't know. If I tell
2 the true, you guys, I don't know what he's
3 was, when he joined TelexFREE, okay, but he's
4 a promoter. Always I -- what I understand
5 he's live in Boston, now he's live in
6 Orlando, that's how I know for Sann
7 Rodrigues.

8 Q. Okay.

9 (BY MR. LEONE)

10 Q. When did Sann Rodrigues join TelexFREE?

11 A. I don't remember the date, but I think we can
12 get that on file you guys have.

13 (BY MR. O'HARA)

14 Q. Prior to Mr. Rodrigues joining -- becoming a
15 promoter of TelexFREE did you know Mr.
16 Rodrigues?

17 A. He's come up on -- he's join with Carlos
18 Costa in Brazil; he's -- that time we have a
19 moment in Brazil, big moment up there, and
20 he's call Carlos --

21 (BY MR. LEONE)

22 Q. A big what, I'm sorry?

23 A. Moment.

24 Q. Moment?

1 A. Yes, and we do very well in Brazil. I think
2 then he's call Carlos Costa and to tell the
3 true for you guys, I was very concerned when
4 Sann Rodrigues come because I remember in
5 2006 he have some problems and in the U.S.
6 and Carlos Costa call me that time and said,
7 "Carlos, what do you think about?" And I
8 say, "You know what, anybody can join our
9 company long if they do okay and follow up
10 with, you know, what the procedure, you know,
11 contract, I am okay." And I remember the
12 first time -- one of the first time I met him
13 and I said to him, "Hey, you can do
14 TelexFREE, but one thing you do wrong in our
15 company, you're not going to be here
16 anymore." And since that I don't hear
17 nothing bad about him.

18 (BY MR. O'HARA)

19 Q. You said you -- that Rodrigues had problems
20 in 2006, what are those?

21 A. Yeah, he's have a company, you know;
22 actually, Sann Rodrigues try a buy a
23 wholesale manage from Diskavontade a long
24 time ago, I think it's in 2006, and we don't

1 want, okay, and we don't do any deal with
2 them. In couple months later, you know, we
3 see a problem he's having in Massachusetts, I
4 think; I don't know if he's not a proper,
5 you know, I don't understand, probably he's
6 not done proper, probably he's don't
7 understand what's the laws inside the
8 Massachuseter, but I see some problem there
9 was shot down by SEC, you know, that time,
10 you know, and was thanks God we're not
11 involved. Diskavontade was around that time;
12 it's still around today, you know, and when I
13 was involved in that business.

14 Q. You said when you -- when Mr. Rodrigues
15 jointed TelexFREE as a promoter you spoke
16 with him, did TelexFREE provide any
17 supervision of his promoter activities?

18 A. First thing I told him, you know, if you want
19 do the business with the TelexFREE, make sure
20 you follow up the procedure; anything you do
21 wrong in our business, you'll be out. But so
22 far, I tell the true, I don't see anything
23 that guy's done wrong, you know. A couple of
24 people try say he's move one network to

1 another network. Carlo he's doing business
2 in another like called Wings here. For me, by
3 the way, I don't think --

4 MR. BERTHIAUME: What was that?

5 A. Wings Company. For me, I don't --

6 (BY MR. LEONE)

7 Q. Can you spell that or what is that?

8 A. Wings is W-I-N-G and I don't want -- I'm not
9 here to tell him anything bad about any
10 company, but for me it's not my business, you
11 know, it's not the way I do business. But
12 people make to me he's do that business with
13 somebody or something but so far nothing
14 prove, nothing, you know, can prove Sann
15 Rodrigues done that business with anybody
16 else. You guys probably will hear pretty
17 soon about the Wings. I don't know if you
18 guys heard about, but that's what it's called
19 Wings Network or something, but I don't know
20 what they do; that's not my business;
21 business not my business I not care about.

22 (BY MR. O'HARA)

23 Q. Can TelexFREE identify who its biggest
24 promoters are?

1 A. In the U.S. today I think it's Sann
2 Rodrigues.

3 Q. No, I mean if you looked at, maybe you have
4 some data or something at TelexFREE, can you
5 identify who the biggest promoter is and
6 who's the smallest promoter in terms of
7 generating business?

8 A. Yes, I think we can identify by the money
9 they make, you know. Biggest promoters when
10 they work hard and make a big tree, you know,
11 that's the most making more money, you know,
12 and they work more.

13 Q. And TelexFREE keeps track of --

14 A. We can keep track.

15 Q. -- the trees?

16 A. We can keep -- we can get by the amount
17 what's the promoter make; that would make us
18 know who's the big or not big.

19 Q. Over the past two years does Telex review the
20 activities of promoters?

21 A. Everybody's active, very active.

22 MR. BERTHIAUME: I'm not sure when you
23 say --

24 (BY MR. O'HARA)

1 Q. Let's say supervise, review their -- whether
2 they're following whatever the terms and
3 conditions are that TelexFREE --

4 A. We try do our best. You know what, a couple
5 one went and put some banners the way we
6 don't like, you know, and what we do, the
7 first thing we do we block; they cannot go to
8 the back office because they have to call us.
9 When they call us, you know, we explain we
10 cannot do that, take that off immediately,
11 and I don't have to shot down them twice and
12 they learn, they don't do anymore. But we
13 keep track, yes, we do, you know, anything we
14 see they do, because in our business we don't
15 like our promoter promote like money, you
16 know, our business we like our promoter go
17 there, see you can change your life, you can
18 make a couple of thousand dollars or, you
19 know, you don't have food, this, or don't
20 have a job, you can make some money. We
21 against for those guys to say you can make a
22 million dollars in our company; that's not
23 what our company. Our company's for help
24 people don't have a job or don't have -- you

1 know, change their life, you know, they don't
2 have food in their home, something, we try
3 give opportunity to the people make a small
4 amount of money. Those people --

5 (BY MR. LEONE)

6 Q. Have some people made the million dollars?

7 A. Yeah, some people make the same Herbalife
8 because they have a big tree, big work; some
9 peoples' network they make, but it's not
10 everybody. But I don't like those guys say
11 you can make a million dollars because not
12 everybody can make the same. It all depends
13 each guy, you know, like World Exchange I
14 make about a half a million dollars in World
15 Exchange, you know, all my life is there, you
16 know, but I work hard, very hard, but I never
17 say you can make a half a million dollar like
18 I did. And somebody -- we see somebody do
19 that, we -- immediately we shut down them
20 'cuz that's not the way the business we want
21 to be.

22 (BY MR. O'HARA)

23 Q. In the past two years how many promoters have
24 you shut down or stopped their activities due

1 to violating some sort of conditions of
2 TelexFREE?

3 A. I can say hundreds, you know, because in the
4 begin they try done on a different way in our
5 business, like try show money, show checks,
6 or something and when we found out we just
7 block the IP and give the first shot. But
8 like I said to you, we never have to
9 terminate anybody because when they learn,
10 they don't do anymore and the nice thing,
11 when one do, they pass for everybody, you
12 know, don't do that because they're going to
13 shut cold. And we done a couple ones.

14 (BY MR. NEELON)

15 Q. So you said you don't like the promoters to
16 be out showing people, excuse me, showing
17 pictures of people with money and things like
18 that?

19 A. No, no, no, I don't think this is help
20 anybody and I think this can take -- that's
21 the first thing I learn when I do a network,
22 market, because those guys cannot do the same
23 I did, you know, they can be embarrass, they
24 not be good for rest of their life and I

1 think each people can do the best, you know,
2 and they can make a small amount of money,
3 they can make a big; they can make as much as
4 they want, but they have to work the way they
5 can.

6 MR. LEONE: All right, the time is 4:18,
7 why don't we go off the record.

8 (Whereupon, the parties go off the
9 record.)

10 MR. LEONE: Okay, the time is 4:25, we
11 are now back on the record. Mr. Wanzeler,
12 the Division doesn't intend to ask any other
13 questions based on the record thus far. Is
14 there anything that you would like to add to
15 your testimony today or, Counsel, would you
16 like to ask your client any questions in
17 order to clarify any testimony today?

18 MR. BERTHIAUME: Just a couple things.
19 Mr. Wanzeler, during the course of the
20 examination by Mr. Leone he asked you a
21 number of questions about Best Western and
22 that Best Western icon that was on your Web
23 site; do you remember those questions?

24 THE WITNESS: Yep, I remember that, yep.

1 MR. BERTHIAUME: With respect to that,
2 has TelexFREE Inc. or TelexFREE LLC ever
3 sought any investments by promoters in Best
4 Western?

5 THE WITNESS: No, never.

6 MR. BERTHIAUME: At any point has
7 TelexFREE Inc. or TelexFREE LLC suggested to
8 promoters that they could invest in Best
9 Western?

10 THE WITNESS: Nope, never; never tell
11 any agent we want them invest or something
12 Best Western.

13 MR. BERTHIAUME: Has any agent or
14 promoter of TelexFREE Inc. or TelexFREE LLC
15 to your knowledge ever invested in any Best
16 Western joint venture with --

17 THE WITNESS: Nope.

18 MR. BERTHIAUME: -- Incortel?

19 THE WITNESS: No.

20 MR. BERTHIAUME: I have no other
21 questions for Mr. Wanzeler.

22 MR. LEONE: Counsel, any question?

23 MR. BABENER: No.

24 MR. LEONE: Mr. Wanzeler, with that we

1 will suspend your testimony today. The
2 Division does reserve the right to call you
3 back in without the issuance of a new
4 subpoena. And at this time we are now off
5 the record.

6 (Whereupon, the proceeding was suspended
7 at 4:27 p.m.)

C E R T I F I C A T E

COMMONWEALTH OF MASSACHUSETTS
COUNTY OF PLYMOUTH, SS

I, DIANNE E. BROWN, a Court Reporter and Notary Public in and for the Commonwealth of Massachusetts, do hereby certify that the foregoing statement of **CARLOS WANZELER** was taken before me on March 26, 2014. The witness was duly sworn before the commencement of his testimony; that the said testimony was taken audiographically by myself and then transcribed by me. To the best of my knowledge the within transcript is a complete, true, and accurate record of said On-The-Record Interview.

I am not connected by blood or marriage with any of the said parties, nor interested directly or indirectly in the matter in controversy.

In witness whereof, I have hereunto set my hand and Notary Seal this 27th day of March 2014.

Dianne E. Brown,
Notary Public
My Commission Expires:
August 12, 2016